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S. HRG. 99-137

NOMINATION OF JOHN R. NORTON III

HEARING

BEFORE THE

COMMITTEE ON AGRICULTURE, NUTRITION, AND FORESTRY UNITED STATES SENATE

NINETY-NINTH CONGRESS

FIRST SESSION

ON

THE NOMINATION OF JOHN R. NORTON III, OF ARIZONA, TO BE DEPUTY SECRETARY OF AGRICULTURE

MARCH 27, 1985

Printed for the use of the
Committee on Agriculture, Nutrition, and Forestry

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NOMINATION OF JOHN R. NORTON III

WEDNESDAY, MARCH 20, 1985

U.S. SENATE,
COMMITTEE ON AGRICULTURE, NUTRITION, AND FORESTRY,
Washington, DC.

An informal meeting of the committee convened at 2 p.m., in room 328-A, Russell Senate Office Building, Hon. Jesse Helms (chairman) presiding.

Present: Senators Helms, Wilson, McConnell, Pryor, Dixon, and Harkin.

STATEMENT OF HON. JESSE HELMS, A U.S. SENATOR FROM NORTH CAROLINA

The CHAIRMAN. We will be in order.

This afternoon the committee has the distinct pleasure to hear testimony regarding President Reagan's nomination of John R. Norton III, of Arizona, to be Deputy Secretary of Agriculture.

I have received numerous letters from people who know and who have worked with Mr. Norton in his various farm and civic enterprises, and I must say, sir, you come to the committee very highly recommended by all who have written. We have had occasion to meet, and to talk, and I must say that I, too, am very impressed with your knowledge about and concern for agriculture.

We have the special honor of having with us this afternoon a distinguished panel of Senators and Representatives to introduce Mr. Norton to this committee and to the Senate.

Since we have the distinguished chairman of the Armed Services Committee here and others, just on an informal basis, we would like to hear from you in presenting this nominee, and that will preclude the necessity of you folks coming back since there has been an objection to a formal hearing.

So, Senator Goldwater, we welcome you, and I thank you for coming.

STATEMENT OF HON. BARRY GOLDWATER, A U.S. SENATOR FROM ARIZONA

Senator GOLDWATER. Thank you, Mr. Chairman.

This is a real honor for me and, if you ask me to explain why it is an honor, I could not tell you, but I just have to have you believe that it is.

I have had the distinct pleasure of knowing John Norton about all of his life. He was born in Arizona and was there until he

served his country in the U.S. Air Force, and you cannot say a higher thing about a man. [Laughter.]

He returned to Arizona in 1972 after founding a successful agricultural business, J. R. Norton Co., and I am glad to tell you that the home office has been in Phoenix since 1972, and we are proud to have John back in his home State.

Both Arizona and California have benefited from John's willingness to serve his community. I have the utmost admiration for someone who devotes many hours and much energy to civic concerns, and John Norton is such a man. His professional expertise has been sought by many business, Government and political groups as evidenced by his impressive list of affiliations.

However, I believe the true value of an individual's accomplishments and service comes in the form of recognition by one's peers. John has been so recognized, having received the following honors: Distinguished Citizen Award by the University of Arizona Alumni Association, 1981; Produce Man of the Year, 1983; and an Entrepreneurial Fellow at the Karl Eller Center for the Study of Private Market Economy, College of Business, University of Arizona, 1984.

In closing, I just want to say that I believe John is going to be one of the best and brightest additions the Department of Agriculture could have added to its ranks. He has my every wish that success continues to follow him into this appointment, as it has in his other endeavors.

I thank you.

The CHAIRMAN. Thank you, Senator.

Senator DeConcini, I will recognize you.

Senator DECONCINI. Mr. Chairman, Thank you. If it please the chairman, I will defer to my senior colleague here, Mr. Udall.

STATEMENT OF HON. MORRIS UDALL, A U.S. REPRESENTATIVE FROM THE FIRST DISTRICT OF ARIZONA

Mr. UDALL. Thank you, Mr. Chairman. It is an honor for me to be here to endorse the nomination of John Norton. As a master of ceremonies who got confused, I was told our guest today is equal to few and superior to none. It takes awhile for that to sink in, I guess. [Laughter.]

John is, as Barry Goldwater says, an unusually well qualified person, and he is superior to almost everyone I know of. I do not know why anyone in his right mind would want to take on this job at this critical time for the agricultural community, but the country is lucky that he is, and you will make no mistake if you confirm this nomination.

I strongly urge the committee and the Senate to do so.

The CHAIRMAN. We thank you, sir, and we are honored to have you with us today. Thank you very much.

Senator DeConcini.

STATEMENT OF HON. DENNIS DeCONCINI, A U.S. SENATOR FROM ARIZONA

Senator DECONCINI. Thank you, Mr. Chairman.[1] It is a pleasure to be here. I have not known John Norton as long as Barry Gold-

[1] See p. 85 for the prepared statement of Senator DeConcini.

water has, but my wife's family has. They farmed before the State was a State in Arizona and they grew up together so really I wish Sussie were here to endorse John Norton, although I am glad to fill in for her today since she is in Arizona.

In any event, the Nortons go back in the history of Arizona almost as far as the Udalls and the Goldwaters and the DeConcinis. It was John Norton's grandfather who took Teddy Roosevelt up the Salt River about 1904 on mules that ended up resulting in the Salt River Project and the dams that now supply and provide for the fresh water for the Valley of the Sun. That is the type of commitment that the Nortons have made to Arizona, to California, and to our country.

I am a little bit like Mo Udall. I think it is very impressive that Mr. Norton would give of himself under the political climate that we all live in. Sometimes we ask ourselves that question, but here we have an opportunity to have absolutely the best that there is to offer from the private sector to come in and serve in a very difficult position and at a very difficult time.

I am pleased that this committee is taking up this appointment and I hope that the Senate will confirm John Norton very soon.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you very much, Senator. We are honored that you would join us.

The distinguished Member of the House of Representatives from Arizona, Eldon Rudd. We are delighted to see you.

STATEMENT OF HON. ELDON RUDD, A U.S. REPRESENTATIVE FROM THE FOURTH DISTRICT OF ARIZONA

Mr. RUDD. Thank you, Mr. Chairman. It is a privilege for me to be here with you today, and I think it is very appropriate, at least in my mind, that today is National Agriculture Day that you have convened your committee on this important day and it demonstrates the importance of agriculture.

I would like to insert into the record a statement from my colleague, Congressman Bob Stump of Arizona who is also a successful farmer, who endorses and supports the candidacy of John R. Norton III.

The CHAIRMAN. It will be made a part of the record.[1]

Mr. RUDD. And I have another statement of my own I would like to have inserted into the record, Mr. Chairman, and I will just briefly not trod the same gound that these great men who I am privileged to call colleague and friend have trod, but to tell you that I have known John Norton, and I think I have known him very well. I know his background and I will tell you that he is a very outstanding man and he is quite successful in agriculture as was his father and grandfather before him, farmers all, and his success stems from the fact that he is highly intelligent, but everyone knows that hard work is the only answer for success.

He has demonstrated that in forming the companies that he started on his own and has been so successful within the diversifi-

[1] See p. 86 for the statement of Representative Stump.

cation of crops that any farmer would be proud to have something to do with.

He has also been very active in public affairs and community affairs, public service groups. He has chaired and been president of innumerable groups that have placed a great impact on the community in which he lives, on the State in which he lives.

His diligence in the work that he does, the respect he has for his fellow man and devotion to his country stamps him, in my book, as being entitled to the title of Great American.

But I wholeheartedly endorse him. He understands agriculture. He understands the value of water, and he has demonstrated that time and again, and I would urge that he be confirmed because I think he would be a real credit in the slot in Agriculture as Deputy Secretary, and I know that he would be a credit to our Nation as the good citizen that he is because of his intelligence. He would make a great contribution to this administration, to the country and to his fellow citizens.

Thank you very much, Mr. Chairman.[1]

The CHAIRMAN. Thank you very much. You honor us by being here.

Next is kind of a personal hero of mine, John McCain.

STATEMENT OF HON. JOHN S. McCAIN III, A U.S. REPRESENTATIVE FROM THE FIRST DISTRICT OF ARIZONA

Mr. MCCAIN. Thank you, Mr. Chairman.

I would like to be very brief, given the very fine things that have already been stated concerning Mr. Norton. I would just like to make two points. One, John Norton has involved himself in every civic and charitable activity that I know of in the State of Arizona as well as California.

There is not an activity that takes place that is devoted to the welfare of those who are less fortunate than we are that John Norton's name does not prominently appear.

Finally, I would like to say that one of the complaints that a lot of us have around this town is that we have people who are in office who have never had experience in addressing the issues which is under the purview of the particular job they are in.

John Norton began as a relatively small farmer. He has faced difficulties in his farming career. He has surmounted them and has become one of the most successful farmers in the Southwest.

I believe that John Norton possess the very vital background and knowledge and expertise to address what is probably the greatest dilemma that is facing this Nation today, and that is the plight of our farmers. I think he is uniquely qualified and I hope that this committee will favorably consider him.

Thank you for allowing me to speak in his behalf today, Mr. Chairman.

The CHAIRMAN. And we thank you, sir, for coming.

Congressman Kolbe, we are delighted to have you, sir. We welcome you.

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[1] See p. 85 for the prepared statement of Representative Rudd.

STATEMENT OF HON. JIM KOLBE, A U.S. REPRESENTATIVE FROM THE FIFTH DISTRICT OF ARIZONA

Mr. KOLBE. Thank you, Mr. Chairman, it is a pleasure to be with you today.

Mr. Chairman, it is a pleasure for me to be here today, and I am sure by the time John Norton finishes listening to all of us he is going to wonder if we could really be talking about him, but it is true, everything that has been said about him today. I think he is an exceptionally well qualified individual to assume this task as Deputy Secretary of Agriculture.

He brings not only a tremendous knowledge of the problems of agriculture to deal with those problems but he comes from a region, the Western part of our country, that has both a stable agricultural economy as well as areas that are faced with the same severe financial distress that many of our farmers elsewhere in the country, particularly in the Midwest have seen.

I think that this understanding of the regional character of our agricultural economy of farming in our country is critical to the future discussions that we are going to have this year as we seek to solve problems that confront American agriculture.

Our farmers and our ranchers throughout this country are asking that we provide the ingenuity and leadership both in Congress and this administration to solve the problems which face American agriculture. To this end, I applaud Mr. Norton's courage and his commitment to accept what is going to be a very difficult job, and it will certainly test all of his abilities as a leader, and I urge this committee and the Senate to confirm him as speedily as possible.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you, sir. We are delighted to have you here.

We are going to slip over the border now and have a distinguished member of this committee, Pete Wilson.

STATEMENT OF HON. PETE WILSON, A U.S. SENATOR FROM CALIFORNIA

Senator WILSON. Thank you, Mr. Chairman.

As you have pointed out in your kind introduction, I have a great interest as do all Californians who have any passing familiarity with agriculture in this nomination of John Norton, because in addition to his long and happy experience with agriculture and philanthropy in the State of Arizona, he has long and very deep California roots.

He is a long-time California farmer. He is a man who is deservedly admired and has been recognized for his achievements. Since 1955 when he founded his own farming operation in Blythe, CA, until his more recent position as the president of the J.R. Norton Co., he has overseen the growth and development of a highly respected and diversified agricultural operation. Its headquarters are in Phoenix, but he has branch offices in the California cities of Blythe, Brawley, and Salinas.

His company grows a variety of fresh fruits and vegetables as well as cotton, wheat, and alfalfa. In addition to his business re-

sponsibilities, he has been active in numerous industry organizations which reflect the diversity of his agricultural interests.

He has served on the board of directors of the U.S. Meat Export Federation and the California Cattle Feeders Association. Indeed, you will hear from another Californian, one of my distinguished constituents, Mr. John Lacey, who is the president of the California Cattlemen's Association and who is here today to add to this swelling chorus of endorsement for candidate Norton.

Mr. Norton has also been the vice chairman of Calcot, one of my State's cotton marketing cooperatives. He has served as chairman of both the Western Growers Association and the United Fresh Fruit and Vegetable Association, and yet another Californian, John Derdivanis, who is the current chairman of the United Fresh Fruit and Vegetable Association, is here to add his voice in support of this nomination.

In 1983, Mr. Norton was honored by his peers as the Produce Man of the Year. In fact, the list of responsible positions and the civic and community organizations in which Mr. Norton has been involved fill two pages of his biography although they do not quite capture it all, I think they give evidence of the energy and commitment that Mr. Norton has given both to agriculture and to the quality of life in two States.

He has not been a public servant before in the usual sense of that word, though I would submit that the evidence makes clear that he possesses not only public spiritedness, in an extraordinary measure, but also the energy and capacity to implement that spirit.

In addition, before coming to today's nomination, he has been a member of a Presidential agricultural task force during the years of 1980 and 1981.

Let me put aside the credentials and the impressive record and just say that I have been privileged to know him for some years now and have, on repeated occasions, availed myself of the opportunity to consult with him.

The reason that I have done so is because I value not only the experience and the knowledge, but also the character of the man, his candor and reasonableness, and the fact that he has given so generously of himself in so many efforts that have made not only agriculture but the communities in both California and Arizona infinitely better.

In short, Mr. Chairman, I think that John Norton is an admirable nominee, one who will reflect credit on this administration. More important, he is one whose capacity for service in a time that has been identified, I think with some understatement by Congressman Udall, as one of challenge is, I think, something for which we should be grateful. I heartily endorse his nomination and intend to vote for his confirmation both here in committee and also on the floor.

The CHAIRMAN. Thank you, Senator Wilson.

Without objection, the statement of Senator Dixon will be entered in the record.[1]

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[1] See p. 85 for the prepared statement of Senator Dixon.

Well, sir, Mr. Norton, I instinctively liked you the first time I met you, and now hearing the endorsements of you by those who know you best, I am even more impressed. Plus, what I have read in the way of material submitted.

You are not like a friend of mine who is a banker in South Carolina. Somebody asked him how he got to be chairman of the board of the bank. He said, "Well, I was born in the little village of Wedlock, SC." He said, "No, it was just outside of Wedlock." [Laughter.] And he said, "I went to work as a teller for the bank, and with wisdom and dedication and hard work, perspicacity I became chairman of the board after I married the boss' daughter." [Laughter.]

You did not marry the boss' daughter, I am sure. I want to present Mrs. Norton if I may. Doris, where are you? Will you stand up? [Applause.] I believe it would be a unanimous vote that you overmarried yourself. [Laughter.]

Let me level with the people who are here. Under the Senate rules, any Senator, without even disclosing his identity can object to a committee's meeting 2 hours beyond convening time.

We had an objection. I do not know whether it was across the board for all committees or what, but in any case, I would be violating the rules of the Senate if I permitted a formal meeting of this committee to occur.

That is the reason I stated very clearly, Eldon, at the outset that this was an informal meeting. However, we have taken the statements and we can use those by unanimous consent when the committee meets, and of course, all we have to do, Mr. Norton, is meet prior to 2 hours after the Senate convenes.

But we are going to have to adjourn this informal meeting until the call of the Chair, and I might say to any witness other than the ones who have made statements, if you want to leave written statements with us or submit written statements they will be made a part of the record.

I regret the set of circumstances, but the Senate, as does the House, Mo, has to operate on rules and this chairman intends to operate within the rules. I regret the circumstances, but we will have to stand in wait until this is worked out.

I thank everyone for coming, and I congratulate you, sir, on the high admiration in which you are held by people who are very important to me.

Senator WILSON. Mr. Chairman, might I ask that at such time as the record that has been made today is officially incorporated into committee proceedings that the statements of my colleagues from California be entered.

The CHAIRMAN. Without object, it certainly will be.

Let me thank your distinguished friends from the House of Representatives for coming over, and of course, you, Senator Wilson.

We stand in recess.

[Whereupon, at 2:37 p.m., the meeting adjourned.]

NOMINATION OF JOHN R. NORTON III

WEDNESDAY, MARCH 27, 1985

U.S. SENATE,
COMMITTEE ON AGRICULTURE, NUTRITION, AND FORESTRY,
Washington, DC.

The committee met, pursuant to notice, at 10:40 a.m., in room SR-328-A, Russell Senate Office Building, Hon. Jesse Helms (chairman) presiding.

Present: Senators Helms, Cochran, Wilson, McConnell, Leahy, Melcher, Pryor, and Heflin.

STATEMENT OF HON. JESSE HELMS, A U.S. SENATOR FROM NORTH CAROLINA

The CHAIRMAN. The committee will come to order.

As is well known, President Reagan has nominated Hon. John R. Norton, of Arizona, to be Deputy Secretary of Agriculture.

This past week, Mr. Norton was presented to this committee by virtually every Member of the congressional delegation from the State of Arizona. Each of these distinguished Members of Congress recommended Mr. Norton as one of the leading citizens of their State. In particular, Senators Goldwater and DeConcini urged our earnest and timely consideration of the Norton nomination. I am pleased that the committee will proceed today.

I have met with Mr. Norton, as has every member of this committee, I believe, and I find him to be an impressive gentleman.

Mr. Norton, you have been a very active farmer and civic leader in Arizona and California, which will be of interest to Pete Wilson, and you have been successful in a great number of farming and business enterprises.

As a consequence, your financial disclosure forms submitted to the committee through the Office of Government Ethics are lengthy and complicated. Copies of these documents have been made available to each member of this committee.[1] We have received a statement from you, updating these documents as required by law. Committee counsel and staff and the Office of Government Ethics have thoroughly reviewed all of these documents and find them in order.

In addition, the Office of Inspector General of the Department of Agriculture has informed this committee that a random sample review of the Payment-in-Kind Program participation did not result in a reference to the J.R. Norton Co. The inspector general

[1] Retained in committee files.

has also informed the committee that while your company's name did surface indirectly in connection with the investigation of a PIK violation by another person, since your company rented land from that person, neither you nor your company was in violation of the provisions of the PIK Program. A copy of the inspector general's letter is before each Senator, and the complete file is available for review by any Senator who desires to see it, of course.

I am certain, sir, that you will want to address your participation in the PIK Program as a part of your statement to the committee.

So, again, we welcome you and your lovely wife, Doris, and anticipate with pleasure any remarks you have.

Before you begin, however, I would ask the unanimous consent of this committee that a number of letters and telegrams endorsing Mr. Norton for this post be made a part of the record of these proceedings.[1]

Without objection, it is so ordered.

In addition, I ask unanimous consent that statements made by a number of Senators and Congressmen on Wednesday, March 20, concerning the nomination of Mr. Norton be included in the record of today's hearing.[1]

The CHAIRMAN. With that, I will defer to any Senators for statements they wish to make.

Senator Melcher.

Senator MELCHER. Mr. Chairman and Mr. Norton, you were inconvenienced a week or so ago.

The CHAIRMAN. Last week.

Senator MELCHER. That was a hearing scheduled for the afternoon. It happened, although this committee has not met all that many times since the start of this Congress, except during the last 3 weeks, the unusual circumstances of calling a hearing in the afternoon was not objected to by me at the time it was scheduled.

However, each of those hearings that are scheduled in the afternoon is subject to objection by any Senator, because there is business on the Senate floor. I, personally, have no objection to afternoon hearings if there is no business on the Senate floor, or if the business to come up is not as significant for me, as a Senator, as the hearing would be.

However, on the day it was scheduled—was that last week, Mr. Chairman——

The CHAIRMAN. Yes; but I might add, if you will let me interject, and I apologize for doing so, that everybody understands what happened, and there is no problem. This is the right of any Senator, and as far as I know, no Senator ever objects to it.

Senator MELCHER. Well, it has caused a certain amount of conjecture. The circumstances were that the African aid bill, a rather significant bill, and one that I was personally involved with with an amendment, was scheduled for that afternoon, along with the last vote on the MX, if I am not mistaken. So, it was not a very propitious afternoon to hold this important hearing.

I do not want that to mean or to be construed as attempting to slow down the process of your appointment, Mr. Norton.

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[1] See pp. 1-7 for the material from the hearing held March 20 and pp. 91-96 for the letters and telegrams concerning Mr. Norton's nomination.

However, it is also fair to say that I do have a series of questions to ask you, involving your past background, particularly in regard to the PIK Program. I do have other questions to ask you involving your duties as you see them should you be confirmed regarding the Forest Service and the Department of Agriculture's operations, particularly in terms of trade.

Thank you, Mr. Chairman.

The CHAIRMAN. Fair enough.

Senator Cochran.

Senator COCHRAN. Mr. Chairman, thank you for the opportunity to extend my greetings to the nominee, Mr. Norton. He and I have met and discussed some of the challenges that face this administration and particularly the Department of Agriculture—with regard to agriculture and farm areas. I have been very impressed with him in terms of his intellect, his ability, and his experience. I look forward to the hearing, to his testimony, and to the opportunity to discuss these issues in some more detail.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you, Senator.

Senator Heflin.

Senator HEFLIN. I, too, extend our greetings to Mr. Norton. I have had the pleasure of spending a bit of time discussing with him various agriculture programs, both in Arizona and in my office, and I welcome you here today. I anticipate that your nomination will not run into any great difficulty, but there will be some questions that will be asked, I am sure, as there would be of anyone. But I am very well pleased with your attitude and the responses to questions that you have given in the past. It looks to me like we have got a potentially, very good man to be in this position as Deputy Secretary of Agriculture.

The CHAIRMAN. Well, as the Prince of Denmark is once supposed to have remarked: "That is consummation devoutly to be wished." Thank you, Senator Heflin.

Senator Wilson.

Senator WILSON. Thank you, Mr. Chairman.

Mr. Chairman, I will not repeat the flattering prose with which I greeted Mr. Norton at the last hearing. Because I have to leave in a few moments, I have just written you a note, Mr. Chairman, giving you my proxy to cast a vote for Mr. Norton's confirmation, if this hearing comes to a vote.

Also, through Mr. Boyle, of my staff, I do have some written questions that I would like to submit to the nominee for his written response.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you very much.

[The following information was subsequently received by the committee:]

PHOENIX, AZ, *March 28, 1985.*

Hon. PETE WILSON,
U.S. Senate,
Washington, DC.

DEAR SENATOR WILSON: The attached answers respond to the questions you submitted as a part of the consideration of my nomination to serve as Deputy Secretary of Agriculture.

I appreciate the opportunity to provide this additional information.

Sincerely,

JOHN R. NORTON.

Question 1. Growers in California have expressed concern over the Department of Agriculture's administration of Marketing Order Programs. Do you have any philosophical difficulties with Marketing Order statutes?

Answer. The Agricultural Marketing Agreement Act of 1937 clearly establishes the authority for marketing orders. It charges the Secretary of Agriculture with the responsibility for administering such market orders as are initiated by commodity producer groups. I have no philosophical objection to this program as established by the Congress.

Question 2. If not would you be able to ensure that these programs are administered in the manner contemplated by the law?

Answer. I have no philosophical difficulties that would prevent me from administering marketing order programs in the manner contemplated by law.

Question 3. If you do have concerns about such programs, will you present to Congress your recommendations for change rather than using the administrative process to effect changes in the program?

Answer. The Administration is not aware, nor am I, of the need for any significant statutory changes. The Department intends to carry out the administrative process precisely as Congress intended when the Agricultural Marketing Agreement Act was enacted.

The CHAIRMAN. Now, Mr. Norton, if you are confirmed by the Senate, do you promise to respond to requests and to appear and testify before this committee, or any other duly constituted committee of the United States Senate?

Mr. NORTON. Yes, sir.

The CHAIRMAN. If you are confirmed by the Senate, will you faithfully execute the law as passed by Congress, regardless of any previous statement you may have made or biases you may have had?

Mr. NORTON. Yes, sir.

The CHAIRMAN. Mr. Norton, I believe you have a statement, and we will be glad to hear from you. We welcome you again.

STATEMENT OF JOHN R. NORTON III, DEPUTY SECRETARY OF AGRICULTURE-DESIGNATE, U.S. DEPARTMENT OF AGRICULTURE

Mr. NORTON. Senator Helms and members of the Senate Committee on Agriculture, Nutrition, and Forestry, I consider it an honor and a privilege to appear before you today for the purpose of these hearings.

To have been nominated for Deputy Secretary of Agriculture by the President of the United States is a very high honor and one which represents a pinnacle of achievement to someone like myself, who has devoted his entire life to the profession of agricultural production.

My grandfather, my father, myself, and my son represent four generations engaged in ranching and farming in California and Arizona. We have participated in the operation of cattle ranches, cattle feeding operations, raising of sheep, and the production of a wide variety of crops on irrigated land for over a century.

My education consists of an agricultural degree from the University of Arizona. After concluding my tour of duty in the U.S. Air Force during the Korean war, I have engaged continuously in my agricultural enterprises ever since. I did, in fact, start my own farming operation which expanded over the years until my father's

retirement when I bought out his interests and combined them with my own.

While it is true, as some have mentioned, that I have not had direct experience working in the Federal Government, perhaps that may be beneficial in the assistance that I can provide.

I have indeed had considerable experience working with government, both at the State and national level, on agricultural issues. I have also testified before several congressional committees over the years.

In 1980, I was honored to be named chairman of Western Growers Association, a large and active association of the producers of fresh fruits and vegetables in California and Arizona.

In 1982, I was named chairman of United Fresh Fruit and Vegetable Association, the national trade association whose members produce and handle in excess of 80 percent of the fresh produce in the United States.

In addition, I have been a director and vice chairman of the Board of Calcot, Ltd., which is the largest cotton marketing organization in the United States. Calcot is an example of one of the most outstanding marketing cooperatives. It handles close to 50 percent of the cotton produced in Arizona and California, which constitutes approximately 18 percent of the total production in the United States. It might interest the committee to know that in excess of two-thirds of the total sales of Calcot are exported.

Accepting the duties of Deputy Secretary of Agriculture will entail certain personal sacrifice. However, I consider this to be a positive way in which I can make a contribution to my industry and our great Nation.

I would assure this committee that my intentions in performing this duty would be to administer the laws in a fair and equitable manner and to assist the Secretary of Agriculture and the President of the United States to the best of my ability, in articulating the policies of this administration and to cooperate with the Members of the Congress of the United States in achieving the constructive solutions to the myriad of problems facing us in these difficult times.

There is a subject that has received some attention in the press recently concerning my participation in the Payment-in-Kind Program administered by the U.S. Department of Agriculture in 1983. To avoid the need for probing by your committee, I would like to submit for the record the following information.

I did not participate in the Payment-in-Kind Program on a personal basis, although my company, J.R. Norton Co., participated for the 1983 crop year and received payment-in-kind cotton worth $1,676,898, and payment-in-kind wheat worth $296,977, for a total of $1,973,875.

In addition, J.R. Norton Co. is a 50-percent partner in San Tan Ranches and that entity received payment-in-kind cotton worth $979,015, and payment-in-kind wheat worth $36,670, for a total of $1,015,685. Further, J.R. Norton Co. was a 25-percent partner in an entity known as Mohave Farms, which received payment-in-kind cotton worth $647,440.

It is my firm conviction that J.R. Norton Co., San Tan Ranches, and Mohave Farms have fully complied with every requirement of

the law under the Payment-in-Kind Program, and that these entities were acting in a manner which they considered, and I believe, to have been proper, legal, and in accord with the policies of the Government of the United States at that time.

I offer no apologies to anyone for participating in the Payment-in-Kind Program. It has been my policy and the policy of the J.R. Norton Co. to maintain rigid adherence to every detail of the law concerning all programs pertaining to our operations, including but not limited to, those of the U.S. Department of Agriculture.

Had I not participated in the Payment-in-Kind Program, members of this committee might well be questioning my management ability. Besides showing poor business judgment, it would have constituted a failure to participate in a Government-sponsored program designed to rid the Nation of price-depressing agricultural surpluses.

On a different subject, there are some who have questioned my ability to serve as Deputy Secretary of Agriculture because of my apparent financial success and the size of my farming operation. For the record, I make no apologies for whatever success I have been fortunate enough to attain. I regard this success with a combination of humility, pride, and gratitude.

Without equivocation, I can assure you that I am intimately familiar with the many agonies and cruelties associated with the business of agriculture. As a young man, I witnessed my father liquidate his entire cattle herd twice, due to drought. On many occasions, I have raised crops to the point of maturity, but have been able to harvest none or only a small portion of the crop due to markets so low that the value of the crop would not even cover the cost of harvesting.

I have also experienced the ravages of plant diseases and insects and weather to the point of partial or total destruction of my crops, resulting in substantial financial losses. I have seen the value of my feed yard full of cattle drop more than $200,000 overnight when President Johnson placed an embargo on the shipment of American hides in the 1960's.

I have experienced a sudden and severe drop in the value of my wheat crop when our Government imposed an embargo on grain sales to the Soviet Union.

No one needs to explain to me the difficulties, agonies, the gut-wrenching personal despair that can be involved in this crazy business called farming. The question today facing this committee is whether I am fit and the proper choice to serve our country, the agricultural industry, and the President. I invite your closest scrutiny, and I will respect your decision.

Again, I thank you for this opportunity to appear here today.

The CHAIRMAN. I would ask the staff to start the clock on me. We will have a round of questions of 10 minutes per Senator and then another round if it is desired.

Mr. Norton, your statement was very fine. I was thinking that if I had had the successes that you have, I believe I would be saying the same thing. I hope we have not reached the point in this country where it renders a man suspect because he has been successful; I thought that was the name of the game.

On the other hand, it is the duty of this committee to raise every question that it thinks relevant to any nominee. I assure you that any questions that are raised by me or Senator Melcher or Senator Cochran or others will be done with full respect and total regard for your responsibility and ours.

First of all, I do not believe you covered in your statement who will be operating your company if you are confirmed as Deputy Secretary.

Mr. NORTON. Senator Helms, I was required by the ethics statutes of the Government to recuse myself from the operations of my company, and I have signed a letter detailing the recusal.

After the President and the Secretary of Agriculture advised me that I would be suggested for this position, I spent a good deal of time studying the restructuring of my company and meeting with my employees, four of whom are minority stockholder employees, and my son, who is also a stockholder in the company. We restructured the management of the company, turning over the complete control and management to these individuals, one of whom has been with me 25 years; another man, 22 years; another young man, 10 years, and another one 8 years; and my son, who has been in the operation for about 5 years. So I feel that I have properly provided for a prudent management philosophy and policy that will preserve the value of my investment while I serve my country.

The CHAIRMAN. Who will vote your stock?

Mr. NORTON. I will not take part in the actions of the company, but I still have the right to vote my stock, if I wanted to replace a board member at the annual meeting.

The CHAIRMAN. You have indicated your financial disclosure report revealed a substantial number of assets and liabilities. Will the income from these assets be sufficient to pay the principal and interest on the outstanding liabilities, the loans, listed in the report?

Mr. NORTON. Yes, sir. I have done a rather thorough cash flow analysis with my accountant, and we have come to the conclusion that my financial affairs are in good order.

The CHAIRMAN. So these obligations will not, in your judgment, interfere to any degree whatsoever with the performance of your duties at USDA?

Mr. NORTON. No, sir. They will not interfere.

The CHAIRMAN. I have no further questions.

Senator Melcher.

Senator MELCHER. Mr. Norton, do you know Anthony J. Gabriel?

Mr. NORTON. Yes, sir.

Senator MELCHER. And John V. Graciano?

Mr. NORTON. Yes, sir.

Senator MELCHER. You know both of them?

Mr. NORTON. Yes, sir.

Senator MELCHER. The letter from the inspector general to the chairman, Mr. Graciano, is signed by Anthony J. Gabriel.

Mr. NORTON. Yes, I do know Anthony J. Gabriel.

Senator MELCHER. I presume that they discussed with you your participation in the PIK Program?

Mr. NORTON. I have not had detailed discussions with those people about my participation in the PIK Programs, other than to answer a couple of preemptive questions.

Senator MELCHER. Are you familiar with the March 26 letter to the chairman?

[Senator Helms handing document to Mr. Norton.]

Mr. NORTON. Let me see [perusing document]. Yes, sir.

Senator MELCHER. Do you agree with that letter?

Mr. NORTON. As far as I know, yes, sir.

Senator MELCHER. There is a point made in the first paragraph of the letter that you received a $1.5 million payment for cotton and wheat entitlements under the 1983 PIK Program. Your testimony as just given said that you received $3.5 million, or $3.6 million.

Why? Why do you testify to the greater amount, and they have a letter to the chairman that says it is $1.5 million?

Mr. NORTON. The payments that were made to San Tan Ranches and Mohave Farms, being other partnership entities with separate farm numbers assigned by the ASCS, would not have been derived by examining the records of payments to J.R. Norton Co. That was why I wanted to offer testimony to the committee today, to dispel any notion that there was an effort to reduce the amount of payments that J.R. Norton Co. received. I felt that I should provide that information in addition to what this letter shows.

Senator MELCHER. What do you think of that March 26 letter from Graciano as inspector general, signed by Gabriel, who apparently is his assistant, that responds to this? This is the letter signed by the chairman and by the ranking minority member. It says:

> In order for the committee to have available all information that may be pertinent to this nomination, we request that you provide the committee with a copy of any investigation or audit report, if any, prepared by your office relating to the participation, including leasing arrangements and the Payment-in-Kind Program, by Mr. Norton.

What do you think of that kind of letter from the inspector general, in response to that request?

Mr. NORTON. Sir, I do not have an opinion. I think that the letter——

Senator MELCHER. Does the letter respond?

Mr. NORTON. I think the letter did not respond in regard to the PIK payments as sufficiently as it might have were it to include those payments that went to San Tan Ranches and Mohave Farms, and I can only tell you that I want to make the record correct.

Senator MELCHER. My question goes further than that. What do you think of an inspector general's office that makes this kind of response that seems to be 40-percent correct?

Mr. NORTON. Excuse me just a second.

Senator Melcher, the letter from Senator Zorinsky and Senator Helms, to the Honorable John Graciano on March 25, does not really specify a request for a detail of the payment-in-kind payments. It more refers to participation, leasing arrangements, and so forth, and specifically to J.R. Norton Co.

I think that your question is good, and I respect it. I think it points up sometimes the confusion that we can get into in investi-

gations of this type when a respondent or a nominee is not trying to conceal anything, feels he has nothing to hide, and yet, by virtue of circumstances, it might appear that way. I would like to do everything I can to dispel that notion in my regard.

Senator MELCHER. I will read you the next sentence, then, Mr. Norton.

"This request covers all formal or informal reports, audits or other materials on this subject relating to Mr. Norton."

Now, in both sentences, it mentions you specifically—J.R. Norton Co. is mentioned, but it mentions you specifically in both sentences.

What I was hoping you would say, Mr. Norton, was that you would want to find out why this man is the inspector general of the Department of Agriculture. That is what I was hoping you would say, because this kind of response to a committee that is 40-percent correct on the PIK payments that you received is unacceptable. Do you think that information is hard to find?

Mr. NORTON. Sir, I think the response could have been more complete, to answer your question, and I agree with you.

Senator MELCHER. What do you agree with me on?

Mr. NORTON. That the information was inadequate.

Senator MELCHER. What do you think should be done with such a guy?

Mr. NORTON. I will assure you that I will have a counsel with him on this subject, if I receive this appointment. But I want to hasten to add that unless you identify the entities involved, a search of the records could hardly be expected to unearth San Tan Ranches and Mohave Farms, in his defense, Senator.

Senator MELCHER. Did you know they were writing a letter?

Mr. NORTON. I heard about it, and I was advised that there had been an inquiry about my Payment-in-Kind Programs, and I have offered this——

Senator MELCHER. From this committee?

Mr. NORTON. Yes, sir.

Senator MELCHER. And you have offered what?

Mr. NORTON. I offered to completely come forth with the entire record of our payment-in-kind payments, and so I yesterday revised my opening statement for this hearing——

Senator MELCHER. Did you offer that information to Graciano and to Gabriel?

Mr. NORTON. I did not withhold it; I did not send it to their department, sir.

Senator MELCHER. When you met with them, what did you talk about?

Mr. NORTON. I said I did not actually meet with them on this letter. I was advised that this letter was going out.

Senator MELCHER. When you did meet with them, why did you meet with them?

Mr. NORTON. I said I——

Senator MELCHER. Did I understand you correctly, Mr. Norton, that you met with Mr. Graciano?

Mr. NORTON. I was advised that this letter went out, and I think I was offered the opportunity to examine a copy of it. I cannot recall the detail——

Senator MELCHER. Well, Mr. Norton. I am not trying to badger you or have you answer questions so I can hear my voice and hear your voice. The question was when did you meet with Mr. Graciano? I understand you to say that you met with him and that you knew Mr. Gabriel.

Mr. NORTON. No, I did not meet with Mr. Graciano yesterday.

Senator MELCHER. When did you meet with him?

Mr. NORTON. I do not believe I met with him yesterday. I see him in the Department quite often. I cannot answer that question accurately.

Senator MELCHER. But whenever you met with him, it was prior to this time?

Mr. NORTON. Yes, prior to the 26th, which was yesterday.

Senator MELCHER. And you are familiar with the letter, which is only dated March 25, I believe.

Mr. NORTON. It was dated yesterday, the 26th——

Senator MELCHER. No. I mean the letter from the committee.

Mr. NORTON. Yes, they are both before me here now.

Senator MELCHER. You met with Graciano on one or more occasions, but not in regard to this letter; is that right?

Mr. NORTON. I see him almost daily in the Department, yes, sir.

Senator MELCHER. My time is up.

The CHAIRMAN. I do not want to interrupt your train of thought, if you want to take a couple of extra minutes.

Senator MELCHER. No. This would be a good interruption point.

The CHAIRMAN. Before Senator Cochran begins, let me ask counsel what audit was conducted. I am not sure how far we intended for them to go, but this is a standard boilerplate letter, Mr. Norton, that Senator Zorinsky and I wrote.

Do you want to address yourself to this? Maybe we can clarify it.

STAFF. Mr. Chairman, I would just say in response to—the letter was sent to the inspector general, asking for this kind of information because of the discussions of the PIK Programs. Basically, the inspector general indicated two things, that they had done basically a random sample of all of the PIK participants, and in that random sampling, the J.R. Norton Co., the name, did not come up.

They had also done investigations—I believe there were 30-some investigations—of particular violations that had come to their attention in California. In connection with one of those investigations, the Norton Co. name came up because basically, it was the lessee of land from a person they found to have violated the program.

That is basically the information that was provided.

The CHAIRMAN. Thank you.

[The letters referred to above follow:]

U.S. SENATE,
COMMITTEE ON AGRICULTURE, NUTRITION, AND FORESTRY,
Washington, DC, March 25, 1985.

Hon. JOHN V. GRAZIANO,
Inspector General, Department of Agriculture,
Washington, DC.

DEAR MR. INSPECTOR GENERAL: As you know, the Committee on Agriculture, Nutrition, and Forestry has scheduled a hearing for Wednesday, March 27, 1985, to consider the nomination of John R. Norton III to be Deputy Secretary of Agriculture.

In order for the Committee to have available all information that may be pertinent to this nomination, we request that you provide the Committee with a copy of any investigation or audit report—if any--prepared by your Office relating to participation, including leasing arrangements, in the payment-in-kind program by Mr. Norton or the J.R. Norton Company. This request covers all formal or informal reports, audits, or other materials on this subject relating to Mr. Norton, the J.R. Norton Company, and any other business enterprise with which he is associated.

We would appreciate your responding to this request as soon as possible.

Sincerely,

EDWARD ZORINSKY,
Ranking Minority Member;
JESSE HELMS,
Chairman.

U.S. DEPARTMENT OF AGRICULTURE,
OFFICE OF INSPECTOR GENERAL,
Washington, DC, March 26, 1985.

Hon. JESSE HELMS,
Chairman, Committee on Agriculture, Nutrition, and Forestry, U.S. Senate, Washington, DC.

Hon. EDWARD ZORINSKY,
Ranking Minority Member, Committee on Agriculture, Nutrition, and Forestry, U.S. Senate, Washington, DC.

GENTLEMEN: This responds to your request of March 25, 1985 regarding John R. Norton III or the J.R. Norton Company. Agricultural Stabilization and Conservation Service (ASCS) records indicate that the company participated in the Payment in Kind (PIK) Program and received a total of $1.5 million of cotton and wheat entitlements from the 1983 program in exchange for idling acreage. This information has appeared in the news media and has been verified with ASCS.

With regard to audits, our office conducted a review of producer compliance with ASCS Acreage Reduction, Paid Land Diversion, and PIK program requirements (report 3621-4-KC, December 21, 1983). Using statistical sampling techniques, we randomly selected for review a sample of 1,157 farmers participating in the 1983 program. The J.R. Norton Company did not come up in the random sample.

Our records also reveal that based on ASCS referrals, OIG investigated 34 lettuce PIK cases. We found that 13 participants had harvested lettuce from their conservation use acreage in violation of their PIK contracts. The J.R. Norton Company was not one of the violating participants; however, their name surfaced indirectly in the enclosed investigation report. The J.R. Norton Company was a lessee of land owned by one of the 13 participants found in violation of PIK agreements. The J.R. Norton Company lease called for the lessor's land to be used to grow a crop of 1983/1984 winter lettuce.

I hope this information will serve your purposes and I appreciate the opportunity to provide our comments.

Sincerely,

JOHN V. GRAZIANO,
(For Inspector General).

Enclosures.[1]

The CHAIRMAN. Senator Cochran.

Senator COCHRAN. Thank you, Mr. Chairman.

Mr. Norton, I know that your background is related to large farming operations in the West, and I wonder if, by reason of that experience, you might have any difficulty identifying with problems or the challenges faced by farmers in other parts of the country, such as the Southeast, where I come from. In many cases, the farms are much smaller, they are not irrigated, they are operated by family units, and many of them are burdened with debt rather than being debt free.

I know that half of our farms in this country are debt free according to testimony yesterday from the Governor of the Farm

[1] Retained in committee files.

Credit Administration. That is really great; that is enviable. But in our part of the country, 65 percent of the farmers are borrowing from the Farmers Home Administration because they cannot get credit from traditional sources of credit—banks, production credit associations, and other entities.

What is your reaction to that situation? Is it going to be the Department's policy under your administration that it is just tough luck for those fellows who are on small farms and who have credit problems? Will they just have to close up shop? Will those that are large and have access to Federal water programs and the like be the only ones that can survive under America's agriculture policy? What is your reaction to that kind of inquiry?

Mr. NORTON. Senator, I believe that the problems facing agriculture are general all over the United States, although they do vary as to the basic crop in certain geographical areas. I am not intimately familiar with the agriculture in the Deep South, but one of my goals in assuming these duties would be to enhance my knowledge of the problems of that part of the United States, so that I could serve all the regions of the United States effectively.

On the subject of credit to those farmers in the South who are stressed at this time, I am aware of and have been interested in observing very carefully the last few weeks the development of the farm credit package that the administration and the Department have employed to attempt to bring relief to people in agriculture who have a chance, by restructuring or refinancing their programs, to survive. The Department has issued direct operating loans under the Farmers Home, of something like $1.6 billion as of this moment out of an appropriation for this fiscal year of $1.9 billion, and it will go past that. There will be a need for transfer of additional funds to support this program.

I would hope that this would bring relief to the deserving farmers in your part of the country.

Senator COCHRAN. I have heard nothing but excellent words of praise of you personally from members of your congressional delegation who have known you for a long time. Specifically, Congressman Eldon Rudd has spoken to me of his high regard for you, and both Senators have indicated to me what an outstanding individual you are and how well-respected you are throughout the State of Arizona. I am impressed with that. These are people who know you best. I respect their judgment.

So that goes a long way with me, and I just want to express to you my congratulations and let you know that they have communicated with me on their own—I know you did not ask them to do it.

We have some of the most complicated and serious problems, I think, right now in agriculture that we have ever faced, and I do not know that anybody has a magic solution or an easy answer to it. Somebody one time told me if you come up with an easy answer, it is probably wrong, and I agree with that.

It is not going to be easy to get agriculture back on a healthy, firm, sound footing. We are all striving to find the answer. I hope that when you are confirmed—and I am counting on your being confirmed; I think you should be—I hope that we will see a degree of cooperation from the Department that does not shut out sugges-

tions for ways to solve the problem that might not be the same as previously proposed by this administration.

I am supportive of the administration's effort to get a handle on spending, and to reduce the deficit. I think that could be one of the most important things we could do to contribute towards the economic well-being of agriculture. If we can get interest rates down to lower levels, everybody benefits. I think that would also have a good effect in our effort to reduce the disparity of the value of the dollar with relation to foreign currencies; that would help our ability to compete in export markets.

So, I support the deficit reduction effort that is under way, and I think this administration is giving excellent and strong leadership in that area.

At the same time, though, I do not think we ought to ignore some realities. In the poorer parts of the country, there are needs that can be met and that can be addressed through important programs administered by the Department of Agriculture. I am specifically referring to rural development programs such as housing, nutrition, rural water and sewer systems, and loans to attract business activity into the poorer areas where you do not have access to many jobs.

These are programs that are important to the Southeast, and they are important to me. When this administration comes in with a budget proposal that targets many of these programs for termination, it worries me; it concerns me. I am not suggesting that I am going to reject all of these proposals outright. But I hope that, as Deputy Secretary of Agriculture, responsible for the day-to-day operation of the Department charged with administering these programs, you will be sensitive and enthusiastic if the Congress chooses to fund those programs to some extent. I hope that, through administration policies, you will not try to subvert the mandate of the Congress when it comes to allocating resources, giving funding and providing direction to the administration of those rural development programs.

Would you have any problem with that?

Mr. NORTON. No, sir. I would like to reserve my right to debate with any Member of Congress or this committee at any time, the value of a program in relation to the national deficit and this administration's desire to bring our budget into balance. I would also agree to cooperate with you and with the Congress of the United States in enforcing the laws and providing for the administration of those programs that are legislated by this Congress.

Senator COCHRAN. Thank you, Mr. Chairman.

I have no other questions.

The CHAIRMAN. Thank you, Senator.

In order of arrival, Senator Pryor.

Senator PRYOR. Thank you, Mr. Chairman.

Mr. Norton, the President made a statement in his message to the Gridiron Club Saturday night, something like "Let's keep the grain and export the farmers." You are not his speechwriter, are you?

Mr. NORTON. No, sir, and I might have chosen to say that differently if it were me.

Senator PRYOR. Well, I just want you to know that our farmers in Arkansas were hurt. That our President would make such a statement, and especially in this time of crisis in the agricultural communities and rural America. I think these words were both ill-chosen and ill-timed. I have written him, and hopefully, he will offer an apology to the farmers of this country. I wonder if you might encourage him to apologize to our farmers?

Mr. NORTON. Well, Senator, I do not know if it is my place to advise the President on his speechwriting, or perhaps a choice of words that would not have been my own. I think the President is a human being and a magnificent man, and I would grant him the mistake.

Senator PRYOR. I would like to applaud you, Mr. Norton, for bringing up affirmatively the matter of your PIK payments. As you know, Mr. Norton, there has been a question about these payments.

My question, Mr. Norton, relates to the directorship and vice chairmanship of Calcot Ltd., which in my understanding, sold some 600,000 bales of cotton to the Soviet Union at a time when the cotton supplies were down and other operations were not given equal opportunity for such a transaction.

Would you please comment on that—or are my facts incorrect?

Mr. NORTON. I do not believe Calcot has sold 600,000 bales to the Soviet Union in 1 year. I would have to confirm that figure before I could accept it. Calcot's annual marketings of cotton will run somewhere in the order of 1.6 to 2 million bales, depending on the growing season, and they do export something like two-thirds or 70 percent of that, a great majority of which goes to the Pacific rim countries—Japan, Korea, Taiwan, Hong Kong, and so forth.

We have made sales in Calcot to the Soviet Union and some fairly substantial ones, but 600,000 bales in 1 year would represent a much bigger sale than I think would balance with my understanding of our marketings. I would be happy to get you their exact export figures to all nations for any years that you might be interested in and discuss them with you but I cannot confirm or deny that number at this hearing.

Senator PRYOR. I thank you for that answer.

Can you tell this committee that at no time was Calcot when you were vice chairman and director of this very large corporation, given an opportunity to sell to the Soviet Union or any other country at a price more favorable than any other farming operation or co-op?

Mr. NORTON. I am not aware of any favoritism that has been displayed toward Calcot. Calcot is an aggressive, well-managed marketing cooperative, with leadership, in my opinion, of the highest integrity. I am very partial to Calcot and its history and its accomplishments. We in Calcot get out and bid in the market vigorously. We fight for that business, and we compete with other cooperatives in Texas and elsewhere, and private marketing agencies and brokers and so forth. If there were some favoritism displayed, this would be my first hearing of it, Senator.

Senator PRYOR. Would you also supply for the committee, for the 1983–84 period, the number of bales of cotton that were exported to

the Soviet Union and the price that Calcot received for this transaction? I would like to have that information.

Mr. NORTON. I will provide that, yes, sir.[1]

Senator PRYOR. I also would like to ask your feelings about marketing orders and your philosophy concerning marketing orders. I understand that you are involved in a very large operation, and marketing orders play a very key role. I wonder if you could talk about marketing orders for just a moment?

Mr. NORTON. Well, I will try to make it brief. Marketing orders is quite a broad subject to encapsulate. I think marketing orders, which are a result of legislation passed in 1937, the Agricultural Marketing Agreement Act, provide a mechanism whereby growers can pool their resources to create an organization whereby all the growers are assessed equitably for the purpose of doing research, promotion, advertising, and other functions, which even enlarge into the control of sizes, grades, standardization of containers, prorates, volume controls, and shipping holidays, et cetera.

As to each one of these subjects, you can debate at length whether it is good or bad to permit farmers to group together and do this under the statutes. My personal philosophy is that the marketing orders serve a function that is compatible with my beliefs in a free market economy, in providing the mechanism to do research, promotion, advertising, to a certain extent, quality, grading, size, and containerization control. When the marketing orders get into the subject of volume controls, prorates, and prohibiting the right of entry from a producer, I have some philosophical difficulties with that as a viable part of a free agricultural economy. But if the laws of the United States provide for it, I will administer those laws as equitably as I know how, and without attempting to thwart them through administrative edict that contravenes the intent of the law.

Senator PRYOR. I may have another question, Mr. Norton, in writing, on marketing orders for further elaboration. I do appreciate very much your answer.

My next question is—much of the agricultural budget is not in subsidies, not in target prices, loan rates, or rural housing, it is in the nutrition programs, that feeds thousands and perhaps millions of children, the Food Stamp Program, and other nonproduction related programs.

What are your feelings about the proposed cuts by the administration for our child nutrition programs, our Women, Infants and Children Program, and our Hot Lunch Program? What is your feeling about this, and about changing the eligibility standards?

Mr. NORTON. My understanding of the 1986 budget recommendations in this area is that we are asking for a changing of the statutory requirement or eligibility requirement to eliminate Federal subsidy for "paying" lunch recipients. These are children from families above 185 percent of the poverty level, meaning about $19,000 for a family of four today. I do not find that that, to me, is an inordinate reduction, when we are faced with the deficit and budget problems.

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[1] Mr. Norton supplied this information at a later point in the hearing upon questioning by Senator Heflin. See p. 56.

I think that those people who are still most needy, and those people who do not have resources will be properly provided for, the way I understand the budget proposals. Now, if that is not correct, I would be happy to review that at a later date, but my understanding is that we are taking proper care of the really needy people.

Senator PRYOR. I would like to think and I can only assume that you will be confirmed as you do come very highly recommended, you are going to be a person who is going to have a direct impact on the policy of agriculture. Mr. Chairman, if I could make one final point?

The CHAIRMAN. Go right ahead.

Senator PRYOR. I hope that you will go with me to the State of Arkansas to look at these nutrition programs and to see who will be eliminated, should this budget as proposed by the administration pass. I hope you will go with me to our State—and keep an open mind.

Mr. NORTON. Well, I will consider that you have let me down if you do not plan the trip.

Senator PRYOR. We will plan the trip.

Thank you, Mr. Chairman.

Thank you, Mr. Norton.

The CHAIRMAN. Thank you, Senator.

Now we will begin the second round.

Following up on Senator Pryor's question about the proposed reductions in the Food Stamp Program and other nutrition programs, the other side of the coin is that the USDA, largely through the prodding of this committee, has done a great deal of investigation into the abuses of these programs.

Are you familiar with that?

Mr. NORTON. Yes, sir, to some extent.

The CHAIRMAN. For example, Mr. Norton, at my behest, the inspector general sent investigators into North Carolina. I wanted to see if all these reports that I was receiving were correct. The investigators went into all of the major cities—Charlotte, Winston-Salem, Greensboro, High Point, Asheville, Durham, Raleigh, Fayetteville, Wilmington, and so on. They reported back to us that they could not be on the street more than 10 minutes, letting it be known that they were in the market, for example, to buy food stamps. They said the corruption in the program was just astonishing to them.

Now what we have is a second currency in food stamps. All sorts of things are purchased with food stamps. These are not just isolated horror stories. These are stories that pop up everywhere, not only in North Carolina but across the country, and particularly in the metropolitan areas of this country.

Automobiles, guns, drugs, admission to houses of assignation—you name it, and food stamps have purchased it. There is a little routine that goes on, where an entrepreneur, if you want to call him that, goes around, and he knows the families which are receiving more food stamps than they utilize. So he pays them 40 cents on the dollar for the food stamps—maybe $10 worth, maybe $50 worth, whatever. Then, the entrepreneur takes the food stamps to a crooked grocery store, and he sells them to the grocery store for

80 cents on the dollar. The grocery store makes 20 cents, the entrepreneur makes 40 cents, and the original provider of the food stamps makes 40 cents.

Mr. NORTON. There is only one loser.

The CHAIRMAN. The taxpayers.

I do not think there is anybody on this committee, in this Congress, or in the USDA, who wants to see one child hungry. But that virtue does not obviate our responsibility to ferret out the enormous fraud that is going on.

I remember the congressional people from the House side investigated a summer feeding program up in New York State. They went into this investigation believing that the Reagan administration was hard-hearted and so forth, and they came out of it absolutely repulsed.

That is a long prelude to the question I am going to ask. While you and I and all the rest of us have total sympathy for people who are in need, will you in your capacity insist that efforts be continued to ferret out the abuse and the fraud in all programs across-the-board? It is not confined just to USDA programs. I think people who cheat the taxpayers through defense contracts, ought to have the book thrown at them, and I commend the Reagan administration for bringing to light a lot of things that have been going on for decades.

The screwdriver episode and all the rest of it, that has been going on, and the news media have not made that clear. After all, it is the Reagan administration that has exposed these things. They were not uncovered by the news media. They were uncovered by the administration.

My question to you is will you insist that sufficient effort be continued insofar as it falls under your purview to ferret out this abuse and fraud, which is exactly what it is?

Mr. NORTON. Yes, sir, I will do my best. I think it is a pity sometimes that an otherwise valuable program that is performing a service to our Nation can develop a bad name because of the fraud and abuse which does not really relate to the inherent value of the program itself. I think we have to keep the two issues separate and vigorously pursue the fraud, misuse, or other abuse inherent in any of these programs.

The CHAIRMAN. I want to assure you that Senator Pryor's request that you go with him is a good faith request. I know Senator Pryor. I have worked with him ever since he came to the Senate. I am sure he will be able to show you things that will not only be of interest, but instructive, in terms of the policies and the implementation of various programs.

John, if you will forgive me, Senator McConnell has just arrived, and he has to go back to judiciary. If you would forgive the Chair, I would like to call on him.

Senator MCCONNELL. Thank you very much, Mr. Chairman. I will be very brief, and I appreciate your accommodation. The Judiciary Committee is having hearings on the proposed sale of Con-Rail to Norfolk Southern, which has a big impact on Kentucky.

I would just like to say to Mr. Norton—I have had a chance to know him over the last couple of months—I do support your nomi-

nation, and I think your credentials are certainly outstanding for this position.

But I must say, John, that I am somewhat distressed by continuing reports that the USDA wants to abolish the tobacco program, which almost everyone knows has been the most successful commodity program for over 40 years; at this stage in its development, it costs the Government virtually nothing.

In terms of Kentucky, abolition of the tobacco program would cause about a 20-percent drop in land values, it is estimated; it would create a rural community banking crisis in Kentucky, and some have even said it would create a statewide depression.

In light of all that, and in clear view of the fact that abolition of the tobacco program would do nothing, or virtually nothing, to improve our situation with regard to the deficit, I am wondering what your view of the tobacco program is, and if you concur with those down in the Department who continue to say that they are going to send up some proposal to phase out the tobacco program.

Mr. NORTON. Senator, I have not seen any proposals concerning the administration's 1985 farm bill on tobacco, so I am not sure exactly what will be developed by the Department. I assume if I am confirmed, I will have some part in that.

I believe the word "abolish" is a stronger word than I would want to submit to. The tobacco program has been in a long time, and there are many people dependent on it. It has created an infrastructure in the South that supports a lot of people and an industry.

I think the tobacco problem, if I understand it right—and I am somewhat of a newcomer to that part of agriculture in my learning experience here—has a lot of inherent problems. We have an oversurplus of tobacco. We have gone from about 2.2 billion pounds in production in the United States to 1.5 billion, in 10 years. That is not a healthy trend for the industry or the producer. We have lost some of our share of world markets. Maybe we need to reevaluate the program and direct it on a gradual, nonpunitive basis toward a more free market situation, but without encompassing the connotation of abolishing something to the detriment of the many people that depend on this industry.

Senator MCCONNELL. Thank you very much, and as I say, I do expect to support your nomination.

Thank you very much, Mr. Chairman, for accommodating me.

The CHAIRMAN. Thank you, Senator.

I will say to our distinguished nominee that we will be glad to provide any instruction that you need on this subject. [Laughter.]

Mr. NORTON. I was certain of that.

The CHAIRMAN. Senator Melcher. Thank you for your patience.

Senator MELCHER. Thank you, Mr. Chairman.

Mr. Chairman, I do not believe that I asked unanimous consent that the letter signed by you and Senator Zorinsky to the inspector general and the letter dated March 26, signed by Anthony J. Gabriel on behalf of the inspector general be made part of the record at the point when I first asked Mr. Norton to respond.[1]

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[1] See pp. 18–19 for the letters referred to by Senator Melcher.

The CHAIRMAN. Without objection, it will be as stipulated by the Senator.

Senator MELCHER. Turning to that letter, Mr. Norton, the letter states that you received a total of $1.5 million of cotton and wheat entitlements in the 1983 PIK Program. The letter is in response to the chairman and ranking member of this committee, to provide the committee with information relating to participation, including leasing arrangements, in the Payment-in-Kind Program, by you or any business enterprise with which you were associated.

Now, you testified that you got $3.5 million or $3.6 million, and you stated that that is the correct amount, and further that you have not discussed this matter with the inspector general. How do you account for his response stating that you received only $1.5 million cotton and wheat entitlements by just saying, maybe they did not look at the partnerships, when you have testified that you got almost $2 million for the J.R. Norton Co.?

Mr. NORTON. The inspector general's statement is in error.

Senator MELCHER. Their statement is in error. How do you account for that?

Mr. NORTON. I am unable to.

Senator MELCHER. This says that the ASCS records indicate that the company participated in the Payment-in-Kind Program and received a total of $1.5 million in cotton and wheat entitlements. You say it is almost $2 million. You say they are in error. My question is this. How can there be an audit error?

Mr. NORTON. Senator, I cannot answer that.

Senator MELCHER. Surely, your company was contacted on this audit, was it not?

Mr. NORTON. I am not aware that they were.

Senator MELCHER. You are not aware that the company was contacted at all?

Mr. NORTON. No, sir.

Senator MELCHER. You cashed a check. How many checks were there?

Mr. NORTON. I do not know how many checks there were, Senator. My accountants perused our records and gave me the exact figures of the amounts of money that were received for each of the entities which I have reported, and those have been verified, and those come from statements that have been certified by audits by Coopers & Lybrand.

The CHAIRMAN. John, may I ask where you got the impression that an audit was conducted? I gather that they say that they got the information from the ASCS. I mean, it may be a distinction rather than a difference in terms of your pursuing of the matter, but I do not read that there was an audit.

Senator MELCHER. I would think, Mr. Chairman, that if the Chairman of the Senate Agriculture Committee writes to the inspector general for all the pertinent information that there was an audit; now, maybe I am wrong.

Senator HEFLIN. Just looking at the letter, starting with the second paragraph, "With regards to audits * * *," on the letter of March 26.

Senator MELCHER. Mr. Norton, what possible reason could there be for ASCS, in their checking on payments you received—I will

not use the term "audit" in deference to the chairman—to vary by 25 percent from what you say you actually received?

Mr. NORTON. I am unable to answer that.

Senator MELCHER. Is there more than one entity from which J.R. Norton Co. receives these checks?

Mr. NORTON. Well, yes. As I outlined in my opening testimony, J.R. Norton Co. received payments for its participation under its ASCS Farm Number. Mohave Farms received——

Senator MELCHER. Mr. Norton, we can shorten this by just referring to J.R. Norton Co., because that is all I am asking about. At this point I am referring to your very concise statement in your testimony, that J.R. Norton Co. received $1,973,875 in PIK payments.

The inspector general states that J.R. Norton Co. received $1.5 million, which is almost $500,000, almost half a million dollars different from what you say that you received.

Now, I am asking whether on receiving those payments, could J.R. Norton receive it under different entities?

Mr. NORTON. Not entities, but from different sources. J.R. Norton Co. operates in several counties, and its records are administered, and its payments are received through different counties. The bulk of the cotton PIK Program was involved in Imperial County of California in 1983. The bulk of the wheat was located in Riverside County of California in 1983. I do not have those breakdowns. I am only trying to suggest—you have asked if I have any idea how you might omit something, and that is a thought, that not all counties were properly checked. That is just a thought.

Senator MELCHER. In other words, J.R. Norton Co. appears as the sole entity.

Mr. NORTON. Yes.

Senator MELCHER. No matter what county?

Mr. NORTON. Well, yes. It would be J.R. Norton Co., Imperial County, administered by the Imperial County ASCS office. It would be J.R. Norton Co. in Riverside County——

Senator MELCHER. Under the same name?

Mr. NORTON. Yes, sir.

Senator MELCHER. Now, you think that is just a supposition of how it may possibly be.

Mr. NORTON. Yes.

Senator MELCHER. Were the records that were submitted to the ASCS office in application to participate in the PIK Program always under J.R. Norton Co., no matter which county?

Mr. NORTON. The J.R. Norton Co. operates as J.R. Norton Co., and solely by that name, to the best of my knowledge, in each of the counties in which it operates in Arizona and California.

Senator MELCHER. The applications were made in that form?

Mr. NORTON. Yes, sir.

Senator MELCHER. In each county?

Mr. NORTON. To the best of my knowledge, yes, sir.

Senator MELCHER. Some of these questions, I must ask, Mr. Norton, just to establish my proper understanding. Does J.R. Norton sell its cotton through Calcot?

Mr. NORTON. Yes, sir.

Senator MELCHER. You testified that J.R. Norton Co. is a member of Calcot, if I understood you correctly?

Mr. NORTON. Yes, sir.

Senator MELCHER. You personally have served as vice chairman?

Mr. NORTON. Yes, sir.

Senator MELCHER. Is that a decisionmaking position?

Mr. NORTON. Yes, sir.

Senator MELCHER. How do you make decisions in Calcot?

Mr. NORTON. Calcot has periodic board meetings and/or executive committee meetings, and I am a member of both the board and the executive committee. The meetings are monthly, generally in their office in Bakersfield, CA. At those meetings, the policies of Calcot are determined and voted upon by those bodies.

Senator MELCHER. How many persons are on the board and how many on the executive committee?

Mr. NORTON. I think we have about 16 on the executive committee and 40-some-odd on the board. I forget the exact numbers.

Senator MELCHER. Now, in January 1983, the Department of Agriculture made the announcement for the PIK Program. I understand that on March 11, pursuant to that announcement, the Department of Agriculture "froze" the cotton that was under loan to CCC at that time. Is that correct?

Mr. NORTON. I know it was frozen. I am not certain of the exact date. I was aware that the freeze went into effect.

Senator MELCHER. What obligation did that place on Calcot?

Mr. NORTON. When a freeze goes into effect, no further redemptions or releases from the loan can be made. The cotton has to remain the property of the Commodity Credit Corporation.

Senator MELCHER. That was a perfectly legal action by the Secretary of Agriculture, in your judgment?

Mr. NORTON. I am sure it must have been legal, yes, sir.

Senator MELCHER. You did not question that?

Mr. NORTON. No, sir.

Senator MELCHER. Well, then, what were the circumstances of the sale of Calcot cotton to Russia?

Mr. NORTON. I do not know, sir, the details of Calcot's Russian sale.

Senator MELCHER. First of all, the date.

Mr. NORTON. I do not know the date of their Russian sale.

Senator MELCHER. Did the executive committee and the board vote on agreeing to the sale?

Mr. NORTON. No, sir. The executive committee and the board do not take part in regular sales of the cotton. The management handles that. Selling any commodity involves the subtlety of the barter or negotiating process, and that cannot well be managed by the board or executive committee. It has to be managed by very discreet actions by the professional sales staff, which is the way Calcot accomplished their effort.

Senator MELCHER. Was it sold after the freeze?

Mr. NORTON. I cannot answer that. I can get that information for you.

Senator MELCHER. You do not know?

Mr. NORTON. No, sir.

Senator MELCHER. Wouldn't you be concerned?

Mr. NORTON. Well, I would be concerned if Calcot did anything improper, yes, sir.

Senator MELCHER. It has been alleged that they did, hasn't it?

Mr. NORTON. I had not heard that.

Senator MELCHER. You had not heard that?

Mr. NORTON. No, sir.

Senator MELCHER. There were allegations made in the news media in California earlier this year, that it was an illegal sale, because it was sold after the freeze.

Mr. NORTON. That Calcot illegally sold cotton? I was not aware of that, sir.

Senator MELCHER. Is Tom Smith still the chairman?

Mr. NORTON. Tom Smith is the president of Calcot. He is hired as a salaried employee and president of Calcot.

Senator MELCHER. Does he make decisions?

Mr. NORTON. Yes, sir.

Senator MELCHER. On sales to Russia or any other cotton?

Mr. NORTON. Yes, sir.

Senator MELCHER. And the board is aware and takes full responsibility for the actions of Mr. Smith?

Mr. NORTON. Yes, sir.

Senator MELCHER. Are you aware of any circumstances where Mr. Smith or any other employee or associate of Calcot approached the Department of Agriculture for a release of the so-called frozen cotton so it could be sold to Russia?

Mr. NORTON. I was only aware that there was some delay in effect in the freeze date for certain cooperatives because the Department had been unable to provide certain information to them. I am not able to discuss the technicalities of that delay, or whether it was proper or necessary, other than having been advised that a delay on that freeze date was in effect for the marketing cooperatives—not only Calcot, but others, too, I am advised.

Senator MELCHER. Are you aware that about October 10, over station KRON TV in San Francisco, a reporter said, "To make sure there was enough cotton to go around for the Payment-in-Kind Program, the Government put a freeze on its cotton stockpile on March 11, 1983."

Now, setting aside that date, since you testified you did not know when it was, is that your understanding of what happened? To ensure that there was enough cotton to go around for the Payment-in-Kind Program, that the Government put a freeze on its cotton stockpile. Is that your understanding? Was the reporter correct?

Mr. NORTON. Yes. The operation of the PIK Program required that the Government have an inventory of CCC cotton to effect the payment-in-kind exchange that they were offering to the growers.

Senator MELCHER. That is your understanding?

Mr. NORTON. Yes, sir.

Senator MELCHER. "They closed the door"—I am going on with what the reporter said—"They closed the door on any Government transfers, but secretly, they were allowing co-ops like Calcot to open the door and transfer Government cotton when no one else could, and they did. Calcot moved more than $200 million of cotton after the freeze, the largest Government transfer of its kind in his-

tory. Tom Smith personally asked for the exemption, which was later granted in this telegram from Rank's office."

Do you know Mr. Rank?

Mr. NORTON. Yes, sir.

Senator MELCHER. The reporter went on to say, "Calcot, Mr. Rank's cooperative, needed the Government cotton for a multimillion-dollar deal with Russia. Calcot's access to Mr. Rank paid off."

Everett Rank is then shown stating, "If we would have restricted that, it possibly would not have made that sale to the Russians."

Now, on the face of this exchange between a television reporter from the KRON TV station in San Francisco and Mr. Rank, apparently, Mr. Smith or somebody from Calcot approached the Department of Agriculture, and Rank says, "If we would have restricted that, it possibly would not have made that sale to the Russians," meaning Calcot would not have made that sale. Now, what he is saying there in effect is that although the Government's cotton stockpile was frozen, that Calcot approached the Department of Agriculture through Mr. Smith and asked that it be released, so they could make the sale of the cotton to Russia.

Now, are you saying to this committee, Mr. Norton, that you are not aware of this?

Mr. NORTON. No, I was not aware of that.

Senator MELCHER. Do you think it is illegal?

Mr. NORTON. To ask for a release?

Senator MELCHER. I am not trying to imply that for Calcot to approach the Department of Agriculture is to violate the law.

Is that what you are responding to?

Mr. NORTON. Well, your question was, was it illegal. If Calcot asked for a release——

Senator MELCHER. Well, maybe I should ask it this way. Was it illegal for Calcot to ask for it to be released?

Mr. NORTON. I wouldn't have thought so.

Senator MELCHER. You would not have thought so.

Would it be illegal to release it?

Mr. NORTON. I cannot answer that, because the law regarding that release is something I have never studied.

Senator MELCHER. Well, all we are doing, Mr. Norton, is just asking you to make your responses based on your knowledge and your judgment. But you had previously told me you thought it was legal for the Department of Agriculture to freeze the cotton in place.

Mr. NORTON. Yes, sir, but to clarify my answer, if it was legal for them to freeze, then the next question is, is it legal for them to subsequently grant an exception to the freeze, and that, I cannot answer.

Senator MELCHER. Would it be legal to grant an exception to one, but not for others?

Mr. NORTON. I cannot answer that either, because the Secretary has discretion to do certain things regarding certain programs, and it may have been within his legal jurisdiction to grant one, but not another. It is very possible.

Senator MELCHER. Would it be proper, ethical, correct, good politics, for the Department of Agriculture through the Secretary, or

Mr. Rank; or any official of the Department of Agriculture, to have a policy that is good for one, but unfortunate for another?

Mr. NORTON. It might very well have been if there were many extenuating circumstances that could have justified the action. It would have had to have been weighed very carefully, knowing all the pros and cons of the law and of the economic situation that dictated the request.

Senator MELCHER. What do you think in this circumstance, since no one else got a release?

Mr. NORTON. Is it true that no one else got a release, and that Calcot got a release? I don't know that.

Senator MELCHER. I should not make any assumptions. Do you know of any other releases?

Mr. NORTON. No, sir.

Senator MELCHER. All right. I don't, either. But was it advantageous for Calcot to get the release financially?

Mr. NORTON. If Calcot asked for it and it was a good marketing strategy, I would have assumed it was. That is the duty of the management, to manage the sales of the cotton to bring the maximum possible return to the growers, and the management is instructed in that responsibility repeatedly by the board of directors.

Senator MELCHER. Is all your cotton from Norton, the J.R. Norton Co., sold through Calcot?

Mr. NORTON. Yes, sir. All of it has been for over 30 years.

Senator MELCHER. To your knowledge, did this release and subsequent sale of the CCC frozen cotton from Calcot to Russia benefit you financially?

Mr. NORTON. I would hope it did.

Senator MELCHER. Well, if you know, I wish you would say "Yes," and if you do not know, I wish you would say "No."

Mr. NORTON. I do not know.

Senator MELCHER. You do not know.

Now, are you testifying as a vice chairman of the executive board?

Mr. NORTON. Of the board.

Senator MELCHER. OK. Are you testifying that as vice chairman of the board of Calcot, that you do not know whether Mr. Smith or somebody else from Calcot asked the Department of Agriculture, any official of the Department of Agriculture, to release the Calcot cotton so it could be sold to Russia?

Mr. NORTON. No, sir. The Calcot management has had an ongoing relationship with the Commodity Credit Corporation and the Department of Agriculture for several decades. Calcot is an authorized storage agent for Commodity Credit Corporation cotton and works with the Commodity Credit Corporation and the Department on a continual basis, on a myriad of details involving placing cotton in the loan, redeeming it out of the loan, effecting their sales, developing export sales programs and Public Law 480 Programs. Many, many of the programs involving the Department of Agriculture are managed daily by the management of Calcot, and the board does not concern themselves with the details of the interrelationships between management and the Department of Agriculture.

Senator MELCHER. So the answer is no, that you did not know that Mr. Smith or anybody for Calcot contacted Mr. Rank or anybody else in the Department of Agriculture, requesting a release from the frozen cotton status, the CCC cotton that Calcot had in its warehouse, so it could be sold to Russia?

Mr. NORTON. That is correct, yes, sir.

The CHAIRMAN. You don't know it now, do you?

Mr. NORTON. That is correct, I do not know.

The CHAIRMAN. All right.

Senator MELCHER. Now, do I understand you correctly, then, that you are not aware of the profit made by such a release and subsequent sale to Russia of the Calcot cotton?

Mr. NORTON. No, sir. That information is readily available, but I cannot tell you how that sale differentiated in profit-generating ability from other sales at the time.

Senator MELCHER. And you do not know the price that it was sold at?

Mr. NORTON. No, sir.

Senator MELCHER. Whether it was higher than the loan level?

Mr. NORTON. I do not know.

Senator MELCHER. Wouldn't it have to be higher than the loan level to sell it?

Mr. NORTON. Not necessarily. If they asked the Government to release it from the loan, maybe they sold it lower, but I would not have thought so.

Senator MELCHER. I would not think so, either. I would think that was the reason for asking it to be released.

Now, Mr. Norton, did you attend any meetings in Washington in February, March or April 1983, that you can recall?

Mr. NORTON. February, March or April of 1983—no, sir. I cannot recall.

Senator MELCHER. You cannot recall?

Mr. NORTON. I cannot recall attending any and do not believe I did.

Senator MELCHER. You do not believe you did.

Who is Neal Gillen?[1]

Mr. NORTON. He is with the cotton trade association here.

The CHAIRMAN. The Cotton Council?

Mr. NORTON. The Cotton Council.

Senator MELCHER. The Cotton Council?

Mr. NORTON. The Cotton Shippers Association.

Senator MELCHER. The Shippers Association. All right. Now, what happened to Calcot after this cotton was frozen—about $180 million or $200 million or something was sold to Russia—didn't that have to be replaced?

Mr. NORTON. Sir, you are talking about the sale that I do not know about.

Senator MELCHER. Let us put it another way. It is my understanding—and you can correct me if I am wrong—that in order to participate in PIK, cotton was first of all frozen that was under CCC loan, and therefore, if any were sold, setting aside whether it

[1] See pp. 96-100 for material subsequently submitted to the Committee by Neal Gillen, Cotton Shippers Association.

was proper or legal to unfreeze it, that since it had been sold, it had to be replaced. Is that your understanding?

Mr. NORTON. If there were insufficient stocks in the Commodity Credit Corporation to service the needs of the PIK Program, otherwise I would not know why it would have to be replaced.

Senator MELCHER. There was not sufficient stock, was there? Was there sufficient stock?

Mr. NORTON. No; by the time——

Senator MELCHER. Do you know of your own knowledge that there was not sufficient stock?

Mr. NORTON. I know of my own knowledge that there were not sufficient CCC stocks to accommodate the PIK Program, yes, sir.

Senator MELCHER. So it had to be replaced.

Do you know of your own knowledge that Calcot had to replace some PIK cotton?

Mr. NORTON. Yes, sir, I do.

Senator MELCHER. All right. When that was replaced, do you know how much was replaced?

Mr. NORTON. I cannot give you the exact figure in bales. I could get that information.

Senator MELCHER. Would 180 million dollars' worth be about right?

Mr. NORTON. I cannot answer that, sir.

Senator MELCHER. Would it be 150 million dollars' worth?

Mr. NORTON. Sir, I do not want to quote a figure, because I do not know.

Senator MELCHER. You do not have any idea what it would be.

The CHAIRMAN. Senator, allow me to interrupt.

Senator MELCHER. Yes.

The CHAIRMAN. You have been going for 25 minutes now, and I think that we need to give Senator Pryor and Senator Heflin their time.

Senator PRYOR. Senator Heflin, I do not think has had an opportunity to ask any questions.

The CHAIRMAN. Right. He missed his turn. He had to depart.

Now, it is the Chair's intent to run this hearing as long as necessary, if it is until midnight tonight, or 3 a.m. tomorrow, or whenever. But it is also the Chair's intent to recess no later than 12:30 p.m., until 2:30 p.m. this afternoon.

Now, before we do that, I note the presence of Mike Kelly, who is associate general counsel of the USDA, and I think we ought to go back and have him comment to the best of his knowledge about the response of the inspector general through Tony Gabriel.

But before we recess, I hope it can be made clear that at this point, it is the Chair's perception that the discussion about the freeze is speculative, based on a news report. And the nominee has repeatedly said that he does not know about this. I do not know that it is fair either to the committee or to the nominee to deal in hypothetical questions. What we need are the facts, and maybe between now and 2:30 p.m., you can make some calls; maybe between now and 2:30 p.m., the USDA can prepare to have someone come up here and respond to the questions of the Senator from Montana. I certainly do not criticize the Senator for pursuing a line of questions which he thinks is relevant.

Senator MELCHER. Mr. Chairman, may I make a suggestion regarding the time—and I do not want to infringe on Howell or David—either do it earlier than 2:30 p.m. or after 2:30 p.m.

The CHAIRMAN. No; we will do it at 2:30 p.m., and we will now hear from Mr. Kelly.

Mr. Kelly, I want you to address yourself to the letter.

Senator HEFLIN. Well, let me first say I have read further into the letter relative to the audits. I just was looking at it at the time. I do see that there was no random sample audit made of the J.R. Norton Co.

The CHAIRMAN. Correct. I think that the criticism of the response was not justified. Any Senator may not agree with the depth into which the investigation was made, but I do not know whether the committee requested that audits of everybody on the landscape be made.

So, Mr. Kelly, please fill us in as you will on this. But the Chair does not propose to have the nominee badgered with hypothetical questions. Insofar as my knowledge of him is concerned, he is an honorable American, and he deserves better than to be pounded with hypothetical questions which he could not possibly answer, based on the responses that he has made thus far.

Now, it may be different after 2:30, after he has consulted with his company. But I think he is entitled to have an opportunity to acquire information and not try to cope with hypothetical questions.

All right, Mr. Kelly.

Mr. KELLY. Thank you, Mr. Chairman.

As the letter signed by Mr. Gabriel, addressed to yourself and to Senator Zorinsky, indicates, the inspector general's office was never asked to and has never performed a complete audit or investigation of all of the thousands of participants in the 1983 Payment-in-Kind Program. There was a random sampling used, which generated a look at 1,157 farmers participating in the program. In that random sample, there was no reference to Mr. Norton or the J.R. Norton Co. which turned up.

The issue involving certain noncompliance on the part of certain participants with respect to their conservation use acreage on lands enrolled in the PIK Program did generate the information that one producer leased lands enrolled in the program to the J.R. Norton Co.

With respect to the $1.5 million figure utilized by Mr. Gabriel in his letter, and his disparity with the $1.9 million figure indicated by Mr. Norton to have been received in PIK benefits in 1983 by the J.R. Norton Co. directly, it is my understanding that the inspector general asked the Agricultural Stabilization and Conservation Service for the numbers of pounds of cotton and the numbers of bushels of wheat received in-kind by the J.R. Norton Co. in 1983; having been furnished with those figures, used dollar figures in order to multiply and achieve a number in the $1.5 to $1.6 million range.

What was delivered to the J.R. Norton Co. was payment-in-kind cotton and wheat. I am sure that Mr. Norton's figures are probably more articulate and accurate with respect to the value received by the J.R. Norton Co. for those payments-in-kind, and I think the dis-

parity between $1.5 million which Mr. Gabriel has cited and which Senator Melcher is focusing on, and the $1.9 million received directly by the J.R. Norton Co. is, while large, and in the $400,000 range, probably attributable to market prices.

The CHAIRMAN. Any questions?

Senator HEFLIN. Yes. Just looking at the letters of request to the inspector general, I think it says this request covers all formal or informal reports, audits, or other materials on the subject relating to Mr. Norton or J.R. Norton Co., and any other business enterprise with which he is associated.

The reply from the inspector general, which unusually is dated the next day—March 25 was the date of the letter inquiring of the inspector general, and the answer is dated the next day, March 26—maybe there was a hearing immediately, and maybe it had to be done—but it seems to me as I read this letter—and I have not read it carefully—that this letter limits itself to J.R. Norton, III, or the J.R. Norton Co. It says, "This is in response to your request of March 25, 1985, regarding John R. Norton III, and the J.R. Norton Co."

Now, it may well be that the inspector general did not know of any other interests. However, I do notice that the Ethics Report, which is a financial disclosure of various interests, is dated March 6, prior to that time. Whether or not the inspector general reviewed that or exercised due diligence is another matter.

From what you are testifying, is not the letter of March 26 limited as to the $1.5 million in cotton to the J.R. Norton III and the J.R. Norton Co.?

Mr. KELLY. Yes, Senator Heflin. The response signed by the deputy inspector general does limit itself to that. It is my understanding that the other two farming entities in which the J.R. Norton Co. owns an interest—both San Tan Ranches and Mohave Farms, both of which are identified in the financial disclosure report—are farming entities which had not come to the attention of the inspector general in his random audit, and which he had not been asked to investigate.

Senator HEFLIN. Well, in Mr. Norton's defense, whether or not the inspector general exercised due regard to his responsibilities, I do not think you can place that on Mr. Norton's shoulders as being his fault. But it does appear that the inspector general made a rather rapid reply and did not really respond to the letter—which I do not think you can blame Mr. Norton for that. If there be any blame—and I am not sure that they had knowledge, or had the information—but it would appear that that is a legitimate inquiry as to what the inspector general or office there did, and in further regards to, I think, some question about Mr. Norton, he was asked, "What would you do about it?" Well, of course, I suppose the question of what action is taken on an inspector general depends on the law and the various formalities and responsibilities. He has somewhat of an independent role relative to these matters. I am not sure whether he is under the control of the Secretary of Agriculture or not, but that is something I think the committee ought to be alerted to, and it is a matter that ought to be looked into.

The CHAIRMAN. Senator, I will tell you that it will be looked into. But it must be said on behalf of the inspector general that we gave

him a short leash on this thing. We told him that we had to have this by today.

Perhaps I am at fault, and Senator Zorinsky, for not having been aware of this, but here again, I did not know it. I acted as quickly as I knew that there were questions being raised. But it must be said that Mr. Norton has already testified that he is going to look into it if and when he is confirmed.

I agree with you that he cannot be held responsible, unless something happened that I do not know about; he cannot be held responsible for any inadvertence or whatever.

Let me ask you this. On nominees in general, do you conduct audits of everything that they have laid their hands on during their lifetimes?

Mr. KELLY. No, Mr. Chairman. Nominees are required under the Ethics in Government Act to fill out and furnish to the Office of Government Ethics and to this committee the financial disclosure report, which the committee has. Mr. Norton's was unusually complete. That report requires that information be filed with respect to all assets and income for the calendar year prior to the nomination and for the current calendar year to date.

The CHAIRMAN. Are you familiar with what he filed, or his ethics report? Did he misstate one centilla of the facts?

Mr. KELLY. No, Mr. Chairman. Not only did he not misstate anything in the report; the recusal letter which Mr. Norton supplied identifies in even greater detail the operations of the J.R. Norton Co., and their interests in San Tan Ranches and Mohave Farms.

The CHAIRMAN. Now, do you know anything about the cotton released from the freeze question?

Mr. KELLY. No, Mr. Chairman. I know that there has been an allegation of impropriety with respect to that. I believe the inspector general has been asked to investigate it. I think the KRON TV charges are not new to the Department. I do not know the status of that investigation.

The CHAIRMAN. Who would know?

Mr. KELLY. The inspector general.

The CHAIRMAN. Well, let me say to staff that perhaps this afternoon or at some other time, that we had better consult with him and let him defend himself against what, based on my present knowledge of the situation, is still a hypothetical matter. I do not know, for example, that a request was made for a release from the freeze—and you have said that you do not know at this moment; is that correct?

Mr. NORTON. That is absolutely correct.

The CHAIRMAN. Therefore, you would not know any of the details of something that you do not know as of this time did, in fact, occur.

Mr. NORTON. Correct.

The CHAIRMAN. As the song says, I think that is about as far as we can go at this time. We will be back here at 2:30, and we may have other witnesses. But I am prepared to stay here just as long as may be necessary, and I am sure the nominee is.

So, with that in mind, the committee will stand in recess until 2:30 this afternoon.

[Whereupon, at 12:32 p.m., the committee recessed, to reconvene at 2:30 p.m. the same day.]

AFTERNOON SESSION

Whereupon, the committee reconvened at 2:30 p.m., Hon. Jesse Helms presiding.

The CHAIRMAN. This is a continuation of the nomination hearing of John Norton. For the time being we will let Mr. Norton sit aside, because Senator Melcher has raised some questions which are very important. He deserves answers to them, and the Chair would observe that he does not perceive that Senator Melcher has been critical of Mr. Norton so much as the Department of Agriculture and the inspector general's office.

After we recessed at 12:30, we called the USDA and asked them to send up the appropriate officials to respond to questions from Senator Melcher. As I say, Senator Melcher is asking questions which deserve straight answers and I know that an effort will be made in that direction.

We have Roy Cozart and Mr. Gabriel, and I would ask you gentlemen to identify yourselves as to title and to identify other representatives who came with you for the record.

Mr. COZART. I'm Roy Cozart, and I am Acting Deputy Administrator of State and County Operations for the Agricultural Stabilization and Conservation Service.

Mr. GABRIEL. I'm Anthony J. Gabriel. I'm the deputy inspector general at the Department and I have three of my people with me: Jeff Rush, Jon Stratmoen, and Donn Adkisson.

The CHAIRMAN. And what are their capacities respectively?

Mr. GABRIEL. Jeff Rush is the deputy assistant inspector general for investigations. Donn Adkisson is the assistant inspector general for audit and Jon Stratmoen is the supervisory special agent.

The CHAIRMAN. Fine. We appreciate the two of you coming on short notice.

I have a few preliminary questions and then Senator Melcher will have further questions I am sure.

Now, why did Calcot singularly, as somebody put it this morning, get an extension from the freeze on cotton from the Commodity Credit Corporation?

Mr. COZART. I can respond to that. It was not singularly for Calcot. It applied to all co-ops, whether they be cotton, rice, wheat, corn or what have you. It was across the board nationwide.

The CHAIRMAN. So the understanding that was held by some that Calcot got preferential treatment is not accurate?

Mr. COZART. No, sir. It applied to all co-ops.

The CHAIRMAN. Did others take advantage of it?

Mr. COZART. Yes, sir. I don't know to what extent they all took advantage, but all of them had the same opportunities that Calcot had.

The CHAIRMAN. And they were all notified at the same time?

Mr. COZART. That is correct. There was a national notice that went to all co-ops.

Senator MELCHER. What was the notice?

Mr. COZART. It was a memorandum that I signed going to all co-ops authorizing the extension of their freeze on commodities that they had under loan for their members.

Senator Melcher. What date was it?

Mr. COZART. I believe it was March 8 that I signed that memo.

The CHAIRMAN. Why did you change your policy relating to the effective date of the freeze?

Mr. COZART. It was a matter of fairness. It was a policy decision because we were unable to notify the co-ops as to the amount of PIK, whether it be pounds of cotton or bushels of corn that their members were entitled to under the PIK Program, and we had to have a few days in which to gather that information and notify them before we applied the freeze to that quantity.

The CHAIRMAN. Now, the name of Neil Gillen was introduced into the testimony this morning. Do you know Mr. Gillen?

Mr. COZART. Yes, sir.

The CHAIRMAN. Can you tell me what his occupation is?

Mr. COZART. Well, he's, I guess, a lobbyist or he works for the cotton shippers.

The CHAIRMAN. American Cotton Shippers?

Mr. COZART. Yes, sir. That's correct.

The CHAIRMAN. I want to know in precise detail the facts about the investigation and the status of the investigation involving Mr. Gillen and any allegation of prior or insider information on CCC cotton purchasing.

Mr. COZART. I would have to turn that over to Mr. Gabriel.

Mr. GABRIEL. There is an investigation that includes an allegation of a conflict of interest, and the investigation also includes the point that you mentioned, Senator, about Mr. Gillen.

The status of that investigation is with the Public Integrity Section of the Department of Justice. The Office of the Inspector General has referred that case to the Department of Justice and the last information we had they had sent back several additional questions that we are in process of responding to. So it is still an ongoing investigation controlled by the Public Integrity Section of the Department of Justice.

I might mention since this is a confirmation hearing, this investigation does not include J.R. Norton or the J.R. Norton Co.

The CHAIRMAN. To your knowledge, did Mr. Norton have information about any activity alleged or otherwise on the part of Mr. Gillen?

Mr. GABRIEL. To the best of our knowledge, he did not have any information and he was not included or party to any of that allegation.

The CHAIRMAN. So you are telling me that there is no investigation underway by the OIG involving Mr. Norton and/or his association with Calcot; is that correct?

Mr. GABRIEL. That is correct. Yes, sir.

The CHAIRMAN. Did Mr. Norton discuss the March 26 letter to Senator Zorinsky and me with you or Mr. Graziano?

Mr. GABRIEL. No, sir. I might say that I had a very quick turnaround time on that letter. I received it. It's dated March 25 and at 10 minutes to 5 o'clock yesterday, I had signed off and delivered it

to Mr. Mizell's office to be hand carried to the joint addressees, yourself, sir, and Senator Zorinsky.

At no time did I discuss that letter or show it to Mr. Norton.

The CHAIRMAN. To your knowledge, are there any other OIG investigations underway or proposed involving San Tan Ranches and/or Mohave Farms?

Mr. GABRIEL. To my knowledge, there are no investigations underway or planned on those particular companies you mentioned.

The CHAIRMAN. All right. Senator Melcher?

Senator MELCHER. Mr. Gabriel, what did the memo say?

Mr. COZART. The memo said that we would extend the freeze on co-ops from March 11 to the date of March 22, until we could notify them of their members' requirements under the PIK Program.

Senator MELCHER. What do you mean extend?

Mr. COZART. Well, in other words, we did not put a freeze on the total inventories that co-ops across the country were holding until we could tell them precisely what their members' needs were. In other words, it was a matter of being fair and equitable to the co-ops as we were to producers, individual producers that were——

Senator MELCHER. Why are you testifying today?

Mr. COZART. Well, I don't particularly know why I'm testifying except to say why we offered the extension to the co-ops.

Senator MELCHER. Is the effect of your testimony that although you planned to freeze at some date that you in fact did not?

Mr. COZART. When we first started administering the PIK Program, our intentions were that at the close of sign-up that any commodities that the producer or in the case of co-ops their members would need would be frozen for their PIK entitlement.

Now, we could not notify the co-ops of what that need was. We had to tally it up because——

Senator MELCHER. Did you plan to freeze it at March 8, March 11 or what?

Mr. COZART. March 11.

Senator MELCHER. All right. So, the point of your testimony is that for some reason——

Mr. COZART. Well, it was pointed out to us by the—it started off the rice co-ops were the most concerned about it, about the fact that we would freeze their total inventory when they didn't need their total inventory possibly for their members because they had no way of knowing, and neither did we, what their PIK entitlements would be.

Senator MELCHER. And that's why you didn't freeze cotton for Calcot on March 11; is that what you are saying?

Mr. COZART. Yes, sir. We did not know how much cotton its members would require under the PIK Program.

Senator MELCHER. Did they sell after March 11, $200 million worth of cotton to Russia?

Mr. COZART. I couldn't tell you whether they did or not.

Senator MELCHER. Did you ever get curious about that?

Mr. COZART. I know it is a point of investigation, but I'm not sure——

Senator MELCHER. Who is investigating?

Mr. COZART. OIG.

Senator MELCHER. The Office of the Inspector General?

Mr. COZART. That is correct.

Senator MELCHER. You are investigating that, are you, Mr. Gabriel?

Mr. GABRIEL. I would like to have Jon Stratmoen answer and set the scope of what we are and are not doing on that particular case since it is with the——

Senator MELCHER. It would be all right if you would just answer yes or no right now.

Mr. GABRIEL. Would you repeat that question then?

Senator MELCHER. Are you investigating Calcot's sale of cotton to Russia?

Mr. GABRIEL. It does include that sale, sir. Yes, sir.

Senator MELCHER. The answer is yes?

Mr. GABRIEL. Yes.

Senator MELCHER. Now, let's get back to this letter. Did you hear what Mr. Kelly said up here?

Mr. GABRIEL. Did I hear what he said?

Senator MELCHER. Are you aware of what Mr. Kelly said in response to some questions this morning?

Mr. GABRIEL. No, sir.

Senator MELCHER. Mr. Kelly works with you? Is he one of your assistants?

Mr. GABRIEL. No, he is not.

Senator MELCHER. Mr. Kelly, who were you representing when you were speaking?

Mr. GABRIEL. I'm with the Office of the Inspector General.

Senator MELCHER. I know. Are there so many of you attorneys that you don't work together?

Mr. GABRIEL. No, we have our own counsel. We have two lawyers on our staff.

Senator MELCHER. All right. Listen closely to me, Mr. Kelly, because I don't want to misrepresent your response from this morning's transcript.

The question was being discussed by you of why this letter of March 26 says $2½ million cotton and wheat entitlement went to Mr. Norton while he says he got almost $2 million of money for PIK cotton and wheat.

Mr. Kelly, I think you said, and correct me if I am wrong, that when Mr. Gabriel signed the letter for Mr. Graziano, it was on the basis that so much wheat and cotton was turned over to Mr. Norton that there was a difference in evaluating the value of the cotton and evaluating the wheat and perhaps that there was a 25 or 30 percent differential more that Mr. Norton knows he received.

Is that roughly what you said when you were up here?

Mr. KELLY. That's correct, sir.

Senator MELCHER. Now, you tell me, Mr. Gabriel, what you find wrong with Mr. Kelly's statement.

Mr. GABRIEL. I just want to mention that when I had drafted my letter, I informed Mr. Kelly that we were responding to the Hill. We had a question and just as a courtesy to Mr. Kelly and the fact that he [Mr. Kelly] is the Ethics Officer I told him we would address three points of interest to the committee; the values of the PIK commodities, whether we had any audits and whether we had any investigations; and I had mentioned that in our letter we were

drafting so far we had developed from ASCS a figure of $1.5 million just informing him of the fact that we were going forward to the Senate committee with the letter.

It is not uncommon to advise general counsel of some of the things that are going on.

Senator MELCHER. You find nothing wrong with his statement? Is that your explanation of why you have $1.5 and Mr. Norton knows he got $2 million?

Mr. GABRIEL. When I actually put that number in the letter, I didn't think that it was already public information in the newspaper. My concern was to verify PIK payments with the ASCS.

Senator MELCHER. Are you aware of what Mr. Norton said this morning?

Mr. GABRIEL. No, sir.

Senator MELCHER. He said he got a total of $1,973,875 from PIK for cotton and wheat.

Mr. GABRIEL. OK. Now, if I may just try to help you clarify. As a matter of routine, we in OIG do not review financial disclosure statements, so it is possible that the information you have and you are privy to is information that we do not have. I'm saying as a routine matter of procedure, the Office of the Inspector General does not review financial disclosure statements.

So, the number I have, it wasn't any big thing. I was trying to set the scene to just be responsive to the question on what was the extent of participation by Mr. Norton. I went back to the ASCS people after reading in the press $1.5 million and I said I would like to see some numbers just to substantiate that figure. I did not work with financial disclosure statements and there was no need for me to do that.

No one had asked that we review Mr. Norton's financial disclosure statement and it is not a matter of our routine procedure to do such a thing. So, I went back to the program——

Senator MELCHER. You mean you pick a figure out of the newspaper accounts and you say that is what it costs the U.S. Government?

Mr. GABRIEL. No, sir; that's why I went back and got the bushels and the pounds and the rates and multiplied them out personally and came up with the figure $1.5 million.

Senator MELCHER. Why does that vary from what Mr. Norton got?

Mr. GABRIEL. I cannot answer that because I am not privy to his financial disclosure statements or any other information.

Senator MELCHER. Well, I am privy to his financial disclosure statements and so are you, because they have been on file and you have had them. I wouldn't attempt to pick that figure out of this and I defy you to find it.

You've had Mr. Norton's financial disclosure statements.

Mr. GABRIEL. No; I did not.

Senator MELCHER. You should have had that in the inspector general's office.

Mr. GABRIEL. No; we do not get those financial disclosure statements as a matter of routine. There is a strict departmental regulation and procedure as to how those are to be handled and safeguarded. They just do not float around.

Senator MELCHER. I'm not talking about your regulations. I'm talking about you signing the letter purportedly to respond to this committee. In order for the committee to have available all information that may be pertinent to his nomination, we requested that you provide the committee with a copy of any investigation or audit report, if any, prepared by your office relating to participation, including the leasing arrangements in the Payment-in-Kind Program by Mr. Norton or the J. R. Norton Co.

This request covers all formal or informal reports, audits or other materials on this subject relating to Mr. Norton, the J.R. Norton Co. and any other business enterprise with which he is associated.

Now, this is not something that is held sort of in secret from you as an inspector general.

Mr. GABRIEL. Not if we request it. I might say, sir, that with the letter of March 25——

Senator MELCHER. I think we are straying from the point. I think the only thing you are trying to do is answer why you didn't look at the companies in here that were partnerships and they weren't listed under the J.R. Norton Co.

Mr. GABRIEL. I would say——

Senator MELCHER. I'm not asking you that question. I'm asking you a simple question. I'm asking you as the inspector general or deputy or what are you?

Mr. GABRIEL. I'm the deputy.

Senator MELCHER. Deputy inspector general. The question of why there is a variance between $1.5 million in your letter and the $2 million? I don't want to badger you about it, so let's see if we got the answer already.

You are saying that because the bushels and the value of bushels and pounds and the value of pounds, you multiplied and got $1.5 million?

Mr. GABRIEL. To the extent that the John Norton Co. was identified in the ASCS records. The information I have is that the producer's name is John Norton. That's what shows up in the ASCS records. If you have a financial disclosure statement, there is information in there that probably goes into an individual's association with other companies which I would not have information that readily available to tie all that together.

Mr. KELLY. Senator, may I address that?

Senator MELCHER. Yes.

Mr. KELLY. Mr. Norton is much more able than I and may later address this same issue. I believe what Mr. Gabriel did was ask the ASCS for the number of bushels of wheat and the number of pounds of cotton available to the J.R. Norton Co. as part of its 1983 or as its total 1983 PIK entitlement and multiplied those numbers by the loan rates.

I believe that yielded a figure slightly in excess of $1.5 million and I believe Mr. Norton later sold those crops or those commodities for something in excess of that in a rising market. I believe he sold those things some months later. Markets had risen, certainly for cotton, by that time and I think the disparity between $1.5 million and $1.9 million is wholly attributable to that and I suspect that but for Mr. Norton's company's financial information, there

was no means available to the inspector general to have determined that larger figure.

Senator MELCHER. I think Mr. Norton is the proper source for that information; is he not?

Mr. GABRIEL. I would say so, yes, sir.

Senator MELCHER. But you didn't ask him?

Mr. GABRIEL. No, sir.

Senator MELCHER. Now, weren't these checks mailed to Mr. Norton? Do you know?

Mr. GABRIEL. I have no—I have not done any work to be able to answer that question.

Senator MELCHER. Mr. Kelly has testified that the grain and the cotton were delivered to Mr. Norton.

Mr. GABRIEL. He has testified to that?

Mr. COZART. He sold the commodities. We didn't sell them. We delivered the commodities to him and it was up to him to market those, and if he could get more than the loan rate, he would get more than this $1.5 million. If he got less, he actually would have received less.

Senator MELCHER. Just describe very briefly the instrument that was delivered.

Mr. COZART. A PIK entitlement for so many pounds of cotton and a PIK entitlement for so many bushels of wheat.

Senator MELCHER. Is there a warehouse receipt?

Mr. COZART. No; it was just a slip that was entitled a PIK entitlement that he could go and claim wherever we designated that many pounds and I don't know whether he marketed it through a co-op or how he marketed, but what we compute is based on loan rate, because we don't know what the farmers got.

Some of them even fed their grain.

Senator MELCHER. This, of course, raises the point that I'd like to pursue at some time, if we ever get to it, of whether there was a special profit between the entitlement based on pounds, based on bushels and the value of that commodity at the time.

You say it is a slip of paper. Does it ever generate itself into being a warehouse receipt somewhere?

Mr. COZART. Sure. He could claim a warehouse receipt with it. Sure could. He could go to the warehouse where it is stored and say, "Give me the receipts. I'm going to hold it for a year before I sell it." If he felt that the market would profit him.

Senator MELCHER. In effect, it is the beginning of a warehouse receipt then?

Mr. COZART. Not necessarily. He could go to the warehouse and sell it directly or he could hold it, and, of course, we said that you must either take the warehouse receipt or take your delivery of the commodity by the end of the PIK entitlement period.

If he held it beyond that, he would have held a receipt, you are correct.

Senator MELCHER. Yes; and when the slips of paper, as you described them, for *x* number of pounds of cotton, *x* number of bushels of wheat, issued?

Mr. COZART. We distributed those at the beginning of the normal harvest period in the area. In other words, one area would get it sooner than some other area that had a later harvest date. We

issued PIK entitlements geared to the normal beginning of harvest, so we wouldn't disrupt the normal marketing in that area.

Senator MELCHER. Mr. Gabriel, is it your position that this letter, even on questioning now or a little more reflection than the 1 day that you gave it, adequate even though there is the disparity in the amount.

It first seemed to be testified that you picked the figure $1.5 million because of a press account. You later testified that you verified the press account, is that right, by multiplying the pounds and bushels by a figure?

Mr. GABRIEL. I would like to give you the history. I had a phone call from the subcommittee's minority counsel alerting me to the fact that he would like this kind of information; and just in the AG A.M. that morning or in the UPI I had read that particular figure. So, I figure that is just background, but I went back to the program and asked the program that I'd like to have the extent of Mr. Norton's participation in the program to respond to the counsel's question.

And with that the program people delivered to me a copy of a report that showed bushels and pounds and then gave me the rate per bushel of wheat and cotton. So, I extended those figures. I figured having read it in the press and then going back to the program, I thought I just had at least some information to get and respond to you people as quickly and as best we could.

The CHAIRMAN. Let me see if I understand. You did not get the figure from the news account. You got it from ASC; is that right?

Mr. GABRIEL. Yes, sir.

The CHAIRMAN. It is based on the loan rate rather than the sale price?

Mr. GABRIEL. I can't answer that categorically.

The CHAIRMAN. Can any of your men answer it?

Mr. COZART. I can. It's based on the loan rate.

The CHAIRMAN. What you are saying, and I am just trying to clear that in my own mind, is that the difference between the $1.5 and $1.9 or whatever it is was the difference between the loan rate and the sale price; is that correct?

Mr. COZART. I would assume that that is the difference because we have no way of knowing what he marketed the PIK commodities for.

The CHAIRMAN. Well, we'll ask him about that.

Mr. COZART. But we reported to IRS these numbers based on loan rate.

Senator MELCHER. How do you report it?

Mr. COZART. We send a report to Kansas City and they send a tape over to IRS.

Senator MELCHER. Of what? Of the PIK bushels—and pounds to IRS?

Mr. COZART. No, sir; we used the loan rates to give them an idea——

Senator MELCHER. You turn in a figure?

Mr. COZART. Right.

Senator MELCHER. So you turned in a figure of $1.5 million?

Mr. COZART. Yes, sir.

Senator MELCHER. By the time you turned cotton in, hadn't that figure gone up?

Mr. COZART. Sure. But we didn't know what he had marketed it for, but we report all program benefits to IRS so that they have a cross-check with the taxpayer when he files his return to be sure he is accounting for all of his income.

Senator MELCHER. Well, what figure did you turn in then?

Mr. COZART. We turned in the bushels and pounds times the loan rates to give them some check.

Senator MELCHER. Even though cotton was higher at the time you circulated the slips that entitled them to go get the cotton?

Mr. COZART. Yes, sir.

The CHAIRMAN. Is that what you do in all cases?

Mr. COZART. Yes, sir. Some of the people fed this, so they wouldn't have reported any cash income from the commodity, but it was a check for IRS to follow up on if they wanted to.

Senator MELCHER. Where are you in the pecking order with regard to Mr. Rank?

Mr. COZART. There is an associate administrator and then I'm next.

Senator MELCHER. Mr. Rank and then somebody else and then you?

Mr. COZART. That's correct.

Senator MELCHER. What's the other fellow's name in between?

Mr. COZART. Milton Hertz, Associate Administrator, ASCS.

Senator MELCHER. Is Mr. Rank under investigation on Calcot's deal or not?

Mr. GABRIEL. I can answer that, sir. The allegation of the conflict of interest is against Mr. Rank.

Senator MELCHER. That's an ongoing investigation?

Mr. GABRIEL. Yes, sir. That's with the Public Integrity Section, Department of Justice.

Senator MELCHER. Do you get into that, Mr. Kelly?

Mr. GABRIEL. That's the Department of Justice.

Senator MELCHER. You are with the Office of Ethics; is that right?

Mr. KELLY. No sir. I'm an Associate General Counsel in the General Counsel's office at USDA.

Senator MELCHER. How do you become involved in dealing with ethics?

Mr. KELLY. I also serve as the Department's Ethics Counselor.

Senator MELCHER. Ethics Counselor?

Mr. KELLY. Yes, sir.

Senator MELCHER. Are you aware of the allegation against Mr. Rank?

Mr. KELLY. I'm aware of the segments that ran on KRON TV I think in December. I'm not sure when and that an investigation was initiated thereafter.

Senator MELCHER. I don't want to cause any more problems for Mr. Rank but I do have to ask these questions. I hope, between the two of you, you can answer them.

Did Calcot through any of its officers or employees approach the Department of Agriculture during this period of time? I don't care what period of time you pick as long as it is long enough to cover

the important segment. As I understand it, it was thought that on March 11 an announcement would be made about a freeze.

Now, you have testified that on March 8 a decision was made that that the date of the freeze would be delayed.

Mr. COZART. That's correct.

Senator MELCHER. It was made on what date? March 22, is that right?

Mr. COZART. The freeze would take effect on March 22, which we felt was the earliest we could notify the co-ops of what their obligations would be under the PIK Program.

Senator MELCHER. Between March 1 and March 23 was a member or any officer or employee of Calcot meeting with Department officials?

Mr. COZART. Not to my knowledge. Not meeting with Department officials, no, sir.

Senator MELCHER. Talking with them?

Mr. COZART. There were conversations with all the co-ops and what have you around the country, questions about the PIK Program and what have you, yes, sir.

Senator MELCHER. The answer is yes?

Mr. COZART. Yes, there was, but not just with Calcot. You know, that was an ongoing everyday affair.

Senator MELCHER. To your knowledge, was the question of the sale by Calcot of cotton to Russia discussed with the Department?

Mr. COZART. Not to my knowledge.

Senator MELCHER. During that period of time?

Mr. COZART. Not to my knowledge. The first I knew about it was when I read it in the paper.

Senator MELCHER. When was that?

Mr. COZART. Somewhere around the middle of March.

Senator MELCHER. Somewhere around the middle of March?

Mr. COZART. Yes. Somewhere along in there.

Senator MELCHER. That would be like the 10th to the 20th?

Mr. COZART. I would say it was later than that. I would say it was probably about the time that the freeze did take effect. I don't recall specifically when it was, but my first knowledge of it was when I read it in the paper.

Senator MELCHER. Was there a special waiver or treatment for Calcot?

Mr. COZART. No, sir. Calcot was not treated any different than any other co-op whether it be cotton, corn, rice, or what. They were all treated the same and all had the same obligations under the PIK Program.

Senator MELCHER. Did it automatically raise the price of cotton when this program was announced?

Mr. COZART. The price of cotton improved substantially following the sign-up of the PIK Program. I don't know whether the sale to Russia was what improved the price so greatly or the extent of the PIK signup, indicating the amount of acres not being produced in cotton increased the price. I'm sure there might have been a combination of both, but I think the PIK Program probably had the greatest effect.

Senator MELCHER. Don't let me monopolize this. Perhaps you have some questions.

Senator HEFLIN. Yes, I have some questions I'd like to ask of them.

First, Mr. Graziano, is that right?

Mr. GABRIEL. I'm Mr. Gabriel, sir. I'm the Deputy.

Senator HEFLIN. You are Mr. Gabriel. All right.

You are with the inspector general's office, by whom is the inspector general appointed?

Mr. GABRIEL. The inspector general is appointed by the President of the United States and confirmed by the Senate.

Senator HEFLIN. Are you under the control or the direction or the supervision of the Secretary of Agriculture?

Mr. GABRIEL. No, sir. The Inspector General Act of 1978 created the statutory inspector generals throughout the Government. We are an independent agency with reporting responsibilities to the Congress, and as well to the Department of Agriculture.

Senator HEFLIN. Well, did I understand you to testify that the matter of the ethics form according to a strict departmental regulation kept you from reviewing it?

Mr. GABRIEL. I would say that it would not prohibit us from reviewing it, but as a matter of routine procedure, we just don't normally review these.

Many times we would select for audit financial disclosure statements to make sure they are being completed in accordance with departmental regulations, as well as congressional law; but we do not—we are not in the loop as a routine reviewing organization to review every financial disclosure statement that is completed by employees at the higher grades, which is the mandatory requirement that they complete them.

Senator HEFLIN. When the letter from Chairman Helms and ranking Minority Member Zorinsky came, did you all make any effort to see if there were any other business enterprises other than the J.R. Norton Co. with which Mr. Norton was associated?

Mr. GABRIEL. No, sir. I limited the inquiry to trying to zero in on whether there were any audits, and since the PIK Program was a very complex program where we had done statistical sampling as I pointed out in our letter, we had included in our sample over 1,100 farms. My concern was to go back to our people to determine whether J.R. Norton or J.R. Norton Co. was included in any of our sampling, and I determined that the name or the company did not come up in the sample, which was a random sample.

Senator HEFLIN. Reading this letter, I can see that at least the first part until the last sentence in the second paragraph, it would indicate that your inquiry was to be about Mr. Norton or the J.R. Norton Co. and the last sentence, it says, "This request covers all formal or informal audits or other material on this subject relating to Mr. Norton, the J.R. Norton Co. or any other business enterprise with which he is associated."

It may well be there is some confusion as someone would read it or didn't read it carefully, but the timeframe obviously is restricted. The only thing I have to say is that given the last sentence by your department, it looks like there was no real effort made to comply with that request.

Mr. GABRIEL. I would say that there was significant effort. I personally was kept busy from 8 in the morning on March 25, based

on the preliminary telephone calls from minority and majority staff until 10 minutes of 5 trying to rush it down to the legislative liaison's office to get it up to your people before your offices closed at 6:30. So I would say that we gave it a significant effort for the 1 day that we had to complete this inquiry.

Senator HEFLIN. Well, 1 day is a pretty short period of time and it depends on what the bureaucracy of the inspector general's office of the Department of Agriculture considers a work day may be also comes into it, but would you tell us what you did to try to ascertain whether or not there were any other business enterprises with which Mr. Norton was associated?

Mr. GABRIEL. We reviewed OIG material only within our files. In other words, we tried to concentrate on historical files of audits and investigations. We did not branch out and try to expand, sir, as your question suggests.

Senator HEFLIN. Well, then if you had not been called upon to make any, you would be limited very much so depending upon whether or not Mr. Norton had been previously within the inspector general's purview of their work?

Mr. GABRIEL. That is correct. Our focus was strictly, which is OIG's role and mission, audits, and investigations. So what we did was look to see whether we had any audits or investigations.

Senator HEFLIN. That's your normal routine, but for some reason you are being requested by a committee in Congress to give certain information and if the request was even broader, it would appear that you would have done more than just look in your files.

The CHAIRMAN. Well, that's all we asked him. Now, the fault lies with——

Senator HEFLIN. Well, it may well be we did, but it doesn't say in regards to their files.

The CHAIRMAN. Yes, it does. It says a copy of any investigation or audit report, if any, prepared by your office relating to participation.

Senator HEFLIN. Well, I don't see that as the last sentence. That's not in the last sentence where you are asking for other business enterprises, but anyway, I can see that there can be some confusion relative to the letter that I am not going to pursue, but it would appear to me that the inspector general department does owe, if you have the time and that sort of thing, an obligation to a congressional request to go beyond the files that you have within your office, if it called upon it.

Did the ASCS have any information prior to the determination of the PIK Program that this Russian sale of cotton was pending with Calcot? Had there been any attention to ASCS office relative to that?

Mr. GABRIEL. Not to my knowledge.

Mr. COZART. No, sir.

Senator HEFLIN. That's all I have.

The Chairman. Senator Zorinsky?

Senator ZORINSKY. I have no questions.

The CHAIRMAN. Senator Melcher?

Senator MELCHER. We get to the point of what happened after the March period and to the discovery by the Department of Agriculture that sufficient cotton was not available to honor what you

described as slips of paper to entitle the holder x number of pounds of cotton.

When did the Department of Agriculture make the determination that there wasn't sufficient amount of cotton to honor all the slips of paper; and therefore, all the growers?

Mr. COZART. We had to get a report, and this was shortly after the close of signup, we had to get a national total of producers that had adequate loan stocks to cover their needs; the co-ops, the loan stocks they had to cover their members; and get a national total of how much CCC stocks would have to be used to complete the entitlements.

Senator MELCHER. When was the signup over?

Mr. COZART. On March 11.

Senator MELCHER. On March 11 the signup was over even if the freeze was not imposed until March 26; is that correct?

Mr. COZART. That is correct. Now, we had the whole base bids that were not opened up, the decision was not made on that until March 18, so really we still couldn't nail down even individual producers that submitted whole base bids until after the whole base bids were determined whether they were acceptable or not.

But once we got the totals from CCC's inventory and we knew how much cotton we had in inventory, it ended up that there was a shortage. We didn't have enough CCC owned cotton. That's when we began to explore the possibilities of acquiring additional cotton in the CCC stocks by purchasing, in effect, from producers, co-ops, whoever had excess cotton above and beyond their PIK entitlement.

Senator MELCHER. We have discussed four dates—March 8, March 11, March 18, and March 22.

Mr. COZART. That's correct.

Senator MELCHER. Is that your answer, that on March 18 the Department of Agriculture determined they did not have——

Mr. COZART. No, sir, because we didn't have the totals.

Senator MELCHER. My question is——

Mr. COZART. Well, I don't remember the exact date. I am saying it was sometime after March 18 that we began to get the reports in on individual producers—what they needed that they couldn't cover with their own loans and then what the co-ops needed that they couldn't cover with their own loans to determine how much shortage there was and bump that against then the CCC inventory.

Senator MELCHER. Well, give me a date that you made that determination.

Mr. COZART. Oh, I would say it was sometime in April, the early part of April.

Senator MELCHER. Sometime between April 1 and April 15?

Mr. COZART. I would say that if I had to give an estimated date.

Senator MELCHER. Was it more advantageous for the grower than had been anticipated?

Mr. COZART. I would say not. I think most growers felt that if they had to get cotton from CCC's inventory, they didn't know what quality of cotton they were going to get. They didn't know where it was going to be located. And I think because of that they were not very comfortable with the fact that they were going to get cotton from CCC's inventory.

Senator MELCHER. I guess I might rephrase the question. Was it of more value to them over the long haul?

Mr. COZART. Well, it turned out because the market improved substantially following the close of PIK signup that anyone getting additional cotton, if they had an opportunity to have sold their cotton earlier and could get other cotton, there was a potential profit there.

Now, there were people who actually lost money because they contracted their PIK at a lower rate as a result of that.

Senator MELCHER. That's another point. The value of the cotton—the PIK cotton delivered back to them—was greater than the loan rate; is that correct?

Mr. COZART. Not necessarily. That depended on the person's marketing strategy and a certain amount of luck, I would say, as to whether he sold earlier or later.

The CHAIRMAN. As well as the quality of the cotton.

Mr. COZART. Sure.

Senator MELCHER. Now, let's exclude something here. Let's exclude the possibility that the grower had contracted his PIK cotton prior to March 15 or March 18 or March 22; That's not a point in my question.

The point of my question is very simple. Is the value that the grower received for the cotton that he got back from CCC greater than the loan rate at the time?

Mr. COZART. There is no way I could answer that with——

Senator MELCHER. I'd like a yes or no. I thought you earlier answered that——

Mr. COZART. I would surmise that in most cases it was, but it had——

Senator MELCHER. Was what?

Mr. COZART. Was worth more because the market was on a substantial increase following PIK signup.

Senator MELCHER. You knew in the beginning or the middle of April that there wouldn't be enough cotton. The market had already gone up. You have already said that.

Mr. COZART. It was going up, yes, sir.

Senator MELCHER. And it was higher than the loan rate?

Mr. COZART. I'm not sure if that's the case for all cotton——

Senator MELCHER. I know you can't say everything, but generally speaking it was higher. Now, as a result of being unfrozen for approximately 180,000 bales, did Calcot get $200 million roughly?

Mr. COZART. I would say $300 a bale probably is a good average price.

Senator MELCHER. Did they get about 200 million dollars worth of cotton that was sold to Russia, replaced by CCC?

Mr. COZART. Yes, sir, they did. But I would like to point out and I am sure the investigation would have brought this out if it was available, that I don't believe that Calcot is such a good marketer that in the period of 11 days they sold 200,000 bales of cotton.

I'm pretty sure when the facts are known, that cotton was sold. They had that cotton sold before the March 11 date.

Senator MELCHER. Then it could have never been frozen?

Mr. COZART. If they had sold it prior to March 11, it couldn't have been frozen. Now, what——

Senator MELCHER. Well, why were they entitled to that portion of their cotton PIK then?

Mr. COZART. Any farmer was entitled to that.

Senator MELCHER. Now, wait a minute. If they already had it sold——

Mr. COZART. A farmer could sell any amount of his loan cotton he wanted to prior to March 11. The freeze took place on March 11.

Senator MELCHER. All right.

Mr. COZART. He could have sold all of his cotton on March 10 and he would have been home free.

Senator MELCHER. We seem to get complaints regarding allegations that there was inside information supplied to Calcot. Even setting that aside, Calcot got their PIK cotton, did they not?

Mr. COZART. Well, yes, sir.

Senator MELCHER. But not all growers did?

Mr. COZART. Wait a minute. Calcot was not treated any different than a grower who did not have adequate loan stocks to cover their PIK entitlement. They had to harvest for PIK just like an individual producer. We treated co-ops, whether it be Calcot or Plains or any other co-op no differently than we treated an individual producer concerning the harvest for PIK issue.

Senator MELCHER. What is the difference then? You explain it to me that some farmers say they did not get their PIK cotton.

Mr. COZART. They were talking about a 40 percent harvest for PIK because we were never able to acquire sufficient cotton into CCC's inventory to cover all the PIK entitlements that we needed to cover, where the producers did not have adequate loan stocks.

And we said 40 percent of your shortage must be harvested and put under loan and we will then release the cotton back to you. The other 60 percent will be furnished from CCC's inventory, which we had enough to cover 60 percent of the shortage.

Senator MELCHER. Did you supply Calcot more CCC cotton than anybody else?

Mr. COZART. No, sir. We might have given them more bushels because——

Senator MELCHER. More pounds?

Mr. COZART. More pounds because it is the largest co-op in the country, but the fact is they got 60 percent, just like individual producers or other co-ops that were short of their needed cotton for their members.

Senator MELCHER. Then there is no truth to the allegation that Calcot got all of their entitlement but some other farmers did not?

Mr. COZART. Yes, sir. That is an absolutely false statement, because they did have to harvest for PIK just like the individual producers and other co-ops that were in the same situation.

Senator MELCHER. You said 40 percent of your shortage must be harvested and put under loan? No more or less?

Mr. COZART. Forty percent, yes, sir. Of their shortage.

Senator MELCHER. Pardon me?

Mr. COZART. Forty percent of their shortage.

Senator MELCHER. Yes, in order to get the 100 percent of what they were entitled to?

Mr. COZART. To get their total PIK entitlement, yes, sir.

Senator MELCHER. Now, then your statement is that allegations to the effect that they were treated differently are not true?

Mr. COZART. Totally false.

Senator MELCHER. In all regards?

Mr. COZART. Yes, sir. Because I made the decision and I know that there was no pressure or anything like that applied to give a favorable decision or a decision that would favor Calcot over any other co-op or any other producer.

Senator MELCHER. And you testified correctly that you know of no meeting during this period of say March 1 to March 22 with anybody representing Calcot here?

Mr. COZART. I'm not aware of it, no, sir.

Senator MELCHER. But you assume that there were discussions?

Mr. COZART. Oh, sure.

Senator MELCHER. I assume by telephone?

Mr. COZART. I had phone calls from the cotton, the rice, the wheat, the corn, the warehousemen, producers constantly. I was putting in about 16 hours a day trying to answer the calls that were coming in to clear up provisions of the program and this and that and the other.

Senator MELCHER. You assume that Calcot was among those that you talked to or other people in the Department talked to?

Mr. COZART. Yes, sir. I would presume that they called in, because, well, I'm sure that they called. Southwest Irrigated Growers called. I know that we got calls from the people out in that co-op in Memphis, as well as—and those are the cotton co-ops I'm talking about—but I'm sure that we were getting calls because there was a problem with the freezing of inventories when they didn't know what their members would need.

Senator MELCHER. Now, Neal Gillen represents cotton shippers; is that right?

Mr. COZART. Yes, sir.

Senator MELCHER. Was he involved in meetings during this period of time with these officials within the Department of Agriculture?

Mr. COZART. I'm sure he was.

Senator MELCHER. Were you present at any?

Mr. COZART. Yes, sir.

Senator MELCHER. What was discussed?

Mr. COZART. His interest was in their having the ability to buy this PIK cotton and what kind of rules and what-have-you that applied so that if they contracted with producers, what kind of assurances would they have that they could get delivery of the cotton.

Now, I might say that Neal Gillen, his interest with the cotton shippers was not very friendly, or at least the co-ops, see, they do their own marketing. They don't market through these cotton shippers, so they have different interests altogether.

And for anyone to assume that we were favoring the cotton shippers and favoring the co-ops because we like both of them is kind of counter to one another. Their interests are different. One of them—the shippers want to sell all the cotton and the co-ops are going to sell their own cotton.

Senator MELCHER. Did Neal Gillen mention the possible sale of cotton to the Russians?

Mr. COZART. I never heard a word from Neal Gillen concerning the sale of cotton to Russia. I'm sure that they weren't involved in that whatsoever.

Senator MELCHER. Did Neal Gillen and you or anybody in your presence have a discussion about the date the freeze should take place?

Mr. COZART. No, sir. They weren't consulted and they were not aware of——

Senator MELCHER. What do you mean they were not aware? Who's they?

Mr. COZART. I'm talking about Neal Gillen, the shippers, in other words, that was not anything that we discussed with them. It was strictly a policy decision we made to be fair and equitable to members of co-ops as well as the individual producers that had signed up in the PIK Program.

Senator MELCHER. March 11 was the date assumed for the freeze to take effect?

Mr. COZART. Yes, sir.

Senator MELCHER. Are you saying that Neal Gillen and others did not have an interest in that?

Mr. COZART. Oh, they might have had an interest, but I am saying that we did not consult with them concerning that extension.

Senator MELCHER. They would never even mention that they thought it ought to be delayed?

Mr. COZART. Not from Neal Gillen's group, no, sir.

Senator MELCHER. How about other groups then?

Mr. COZART. Well, the co-ops were certainly interested in that for their members.

Senator MELCHER. And was Calcot one of them?

Mr. COZART. Yes, sir.

Senator MELCHER. They expressed that interest?

Mr. COZART. Yes, sir.

Senator MELCHER. Calcot expressed interest in delaying the effective date of the freeze?

Mr. COZART. Well, they never talked to me about it. I remember getting a call in the early part of March from a meeting out in El Paso of various co-ops, and it was the manager of Swig, and I don't recall what his name was, that's the Southwest Irrigated Growers cotton people out there asking that we consider the delay.

But we had already gotten the request from the rice co-ops that we hold this up. Well, unless we could tell them on March 11 what their members needed, and there was no way we could do that.

Senator MELCHER. How did you understand PIK? Didn't you understand it that if the grower could not be replaced by the commodity he would get a check equal to the value of the commodity?

Mr. COZART. No, sir. This was strictly a Payment-in-Kind Program. There was no cash in place of a commodity in any form under the PIK Program.

Senator MELCHER. You didn't understand it or ever envision it to be, in effect, either the grain, the cotton, or a warehouse receipt at a given date?

Mr. COZART. Oh, yes. Now, you are not talking about cash there. You are saying either the commodity or warehouse receipt.

Senator MELCHER. I understand the warehouse receipt to be a negotiable instrument and I'd call it cash.

Mr. COZART. OK. Well, they are actually selling bushels or pounds of a commodity with a warehouse receipt.

Senator MELCHER. Do you understand the warehouse receipt the same as I do as a negotiable instrument?

Mr. COZART. Yes, sir. It's the bearer holds the commodity.

The commodity is represented by that.

Senator MELCHER. Wouldn't it then be advantageous to the United States at the time of the announcement and the freeze to compute the value based on warehouse receipts as of that date.

Mr. COZART. We used loan rates, if that's what you are talking about? How we put values on it?

Senator MELCHER. Yes.

Mr. COZART. We had no idea what the producers would get for their Payment in Kind. Some would do a better job of marketing it than others.

The CHAIRMAN. Senator, let me ask you, why don't we let these men stand by?

Senator MELCHER. All right.

The CHAIRMAN. We are a little bit far afield from the Norton nomination. I think it has been made clear to me about that aspect. Let's go ahead, if we can, and let you and other Senators ask Mr. Norton any questions you want and then come back to this, because you are entitled to have a full understanding of it and you certainly educated me. If you have no objection, let's ask these two gentlemen to stand aside for just a little while, and bring Mr. Norton back and proceed with things relative to his nomination.

Mr. Norton, if you will take the chair please, sir.

Senator HEFLIN. Mr. Chairman, I believe it was my time to go with Mr. Norton when we interrupted.

The CHAIRMAN. Yes, sir. You are exactly right.

Senator HEFLIN. I have another meeting and I'm going to have to leave and I did want to ask him a few questions.

Mr. Norton, this morning when they were asking about Calcot, I didn't understand exactly how it exists. I, since, that time, I understand it has been brought cut that it was a cooperative and supposed to be the biggest cooperative of any of the cotton cooperatives in the country.

Do you have any idea as to its size?

Mr. NORTON. Yes, sir. Calcot markets between 45 and 50 percent of the cotton produced in the States of Arizona and California. This can constitute up to—I think our biggest year was about 2 million bales, but it will run a million and a half, million and three-quarter bales of cotton per year, which is in the area of 16 to 18 percent of the U.S. production.

These total sales, depending on the price of the cotton, will be $750 million to $1 billion, so it is a huge marketing cooperative. In my opinion, one of the best run, best examples of a marketing cooperative of which I am aware and a very outstanding organization serving its members in Arizona and California.

Senator HEFLIN. Well, the size of the sale to Russia of $200 million, sounds like big money for the small farmer that I used to be. I mean it sounds big in regards to as I see it, it is still a large

amount. I believe I've seen somewhere in reading over the lunch hour that that amounted to around 600,000 bales of cotton that was sold to Russia.

Mr. NORTON. I have a list of Calcot's sales to Russia for that 1983 marketing season here for you. I got them through the lunch hour. If you'd like, I'll give you the number of bales and the amount of money.[1]

Senator HEFLIN. I would like to have that.

Mr. NORTON. On February 28, Staetlander was the purchaser of four blocks from Calcot. These sales were 11,000 bales for $4.3 million; 22,000 bales, $8.8 million; 44,000 bales, $17.6 million; 22,000 bales, $8.8 million. On March 8 through Allanberg of Memphis, Calcot sold 112,000 bales for $46.1 million and 720 bales for $306,000. On March 11, which would still have been prior to the freeze, which was originally planned to go in effect on midnight on March 11, 9,000 additional bales were sold to Staetlander for $3.6 million.

The total of all these sales to the U.S.S.R. was $71.6 million.

Senator HEFLIN. And that is in what year?

Mr. NORTON. That was in 1983, and that was the extent of their sales in 1983.

Senator HEFLIN. Seventy what? How much?

Mr. NORTON. Seventy-one point six million.

Senator HEFLIN. Well, then the allegation that they sold $200 million worth of cotton wouldn't be right?

Mr. NORTON. It wouldn't be right according to the figures that we obtained from Calcot over the telephone during the noon hour. I would say that these are not audited figures. It was a telephone call. We tried to get all the information on sales that were prior to the announced PIK date, and that have taken place during the 1983 marketing year and this is the information they gave us.

I'd be glad to get written reports for you from Calcot covering any chronological periods that you would ask for. Calcot has sold cotton to the Soviet Union prior to 1983 and since 1983, so we would have to pick two dates and say how much was sold between those two dates, and we might find two dates where the sales would add up to $200 million. I can't tell you that you wouldn't.

Senator HEFLIN. Well, then in your position as vice chairman of this board of directors, let me ask you this. How many members of the board of directors are there?

Mr. NORTON. Forty some odd. As an exact number, 46 I think.

Senator HEFLIN. Is there an executive committee, smaller group to run the——

Mr. NORTON. Yes, sir. The size of the executive committee is 16 members because the board is a little large and unwieldy for some of the personnel matters.

Senator HEFLIN. Are you, what do you call that, the executive committee?

Mr. NORTON. Executive committee.

Senator HEFLIN. Are you a member of the executive committee?

Mr. NORTON. Yes, sir.

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[1] The question of Calcot's sales to Russia for the 1983 marketing season was also raised by Senator Pryor on p. 22.

Senator HEFLIN. You are a member of the executive committee. Whatever the sales, you've said that you didn't know about this and that you didn't have any knowledge of this sale to Russia at that time. The size of that sale raises some questions. If in the normal course of events it turns out it is $70 million and it is more than a normal year, would that account for the fact that you would have no knowledge as vice chairman or as a member of the executive committee?

Mr. NORTON. Information on the sales of Calcot is provided to the executive committee or board after the sales. During the time of negotiating sales or while sales are being made, it is a very strict policy of the management of Calcot for board members not to be permitted to discuss ongoing sales negotiations with the professionally hired sales staff because it is too delicate.

There are international arrangements involved. There are negotiations between mills and foreign buyers and they have to be handled discreetly like any other trading of high values in dollars of commodities. The board and the executive committee purposely exclude themselves from daily knowledge of these sales transactions.

After these sales are concluded and have become a matter of record, certainly all that information is available to the board. The board has an audit committee that audits the sales practices retroactively and does perform the normal due diligence functions of a board.

Senator HEFLIN. All right. So now they then raise the issue of the amount of PIK payments you had with various amounts, and I read your statement. I believe you testified that you felt that you wouldn't have been fair to yourself and to your company if you hadn't taken the PIK payments.

Is the J.R. Norton Co. a corporation?

Mr. NORTON. Yes, sir.

Senator HEFLIN. What percentage of the stock do you own?

Mr. NORTON. Seventy-five percent.

Senator HEFLIN. You mentioned some minority stockholders?

Mr. NORTON. Yes.

Senator HEFLIN. How many minority stockholders?

Mr. NORTON. Four.

Senator HEFLIN. Four?

Mr. NORTON. Well, my three children have stock, a part or a small portion of my 75 percent, but the other 25 percent is held by four employees.

Senator HEFLIN. If you made in your statement a breakdown of what was paid to J.R. Norton Co., and what was paid to you individually and then what was paid you as a partner of these other concerns?

Mr. NORTON. Well, my compensation from J.R. Norton Co., is strictly——

Senator HEFLIN. I am not talking about your compensation. I'm talking about the PIK payments.

Mr. NORTON. Well, the PIK payments came into Mohave Farms and to San Tan Ranches for their production entitlement. The PIK payments, or the certificates for the PIK poundages and bushels, came directly to J.R. Norton Co., for its entitlements. Does that answer your question?

Senator HEFLIN. Well, I was just wondering if you knew a breakdown of the $1.5 or the $1.9 million, whatever it was, and then the three point something. What it was as to each of those entities, either the partnership, you as an individual and that sort of thing?

Mr. NORTON. Well——

Senator HEFLIN. I know you don't have it at your fingertips.

Mr. NORTON. Let me help you with that a little bit. First, on that subject of the $1.5 million and the $1.9 million, it is true that the million some odd dollars was the loan value of the bushels and pounds of cotton to which J.R. Norton Co., was entitled, and the $1.9 million something was the actual sales proceeds received and reported to the Internal Revenue Service for the sales of those commodities, after having received them and then marketing them under our marketing program.

Since I have 75 percent of J.R. Norton Co., 75 percent of the PIK payment benefits or 75 percent of $1,973,000, almost $1½ million, would have inured to my personal benefit, being the shareholder that controls 75 percent of the company.

I didn't take the money. It's in the company. I take a salary from the company. Likewise, since Mohave Farms is 25 percent owned by J.R. Norton Co., and I own 75 percent of J.R. Norton Co., 18.75 percent of the monies coming to Mohave Farms would inure to my benefit ultimately.

Likewise with San Tan Ranches. Fifty percent of it is owned by J.R. Norton Co. My 75 percent ownership means 37.5 percent of that inures to my personal benefit.

Does that answer your question, sir?

Senator HEFLIN. Well, that is sufficient. Do you know whether or not in the ASCS office's records does these other entities, what are they, Mohave Farms?

Mr. NORTON. Yes, sir.

Senator HEFLIN. Are they listed any way to show J.R. Norton interests or are they just listed in their name that they carry, Mohave Farms?

Mr. NORTON. It's been awhile since I have examined the filings with the ASCS office, but I am under the impression and I stand to be corrected on this, that they require a showing of the ownership of the entity that is assigned a farm number, which is what you are saying. I believe that information is available from the ASCS filings, but I am not absolutely certain.

Senator HEFLIN. I believe that is all.

The CHAIRMAN. Senator Zorinsky.

Senator ZORINSKY. Thank you, Mr. Chairman. I have only one question to ask of Mr. Norton this afternoon, Mr. Chairman. However, I have a number of other questions that are basically of a clarifying nature, and, if there is no objection, I would like to submit the questions to Mr. Norton for his written responses.

The CHAIRMAN. Yes, sir. In the essence of time, so ordered.

Senator ZORINSKY. Mr. Norton, numerous grain elevators in Nebraska have expressed concern to me about being required to transfer Government owned grain to larger terminal facilities. As you know, such transfers will cause small operators to lose storage payments. The rural economy in Nebraska and many areas in the Midwest is already depressed. The loss of revenue from Govern-

ment grain storage will cause further economic problems in these rural areas.

I sent a letter to Secretary Block on this issue. Would you look into this matter to find out what can be done to ease the effect that the Department's policy to transfer grain to larger terminal facilities is having on areas that are experiencing severe economic problems?

Mr. NORTON. Yes, sir. I was privileged to have a discussion with the Secretary of Agriculture on that subject, and I know the Department is taking a serious look at that to attempt to avoid any unnecessary hardship on farmer's stored grain.

Senator ZORINSKY. I haven't received an answer to date. Incidentally, how long do you believe it should take the Department to reply to inquiries from Senators? I'm still waiting for some from last year.

Mr. NORTON. Well, I wouldn't think that any request you made last year should have lacked in response at this time. I would like to make a statement about Secretary Block. I don't excuse something that was asked for as long as last year, but I've been around the Department the last few weeks trying to learn something about the immense duties that I will have to perform if you gentlemen will confirm me, and I have been totally impressed with the load that Secretary Block has been carrying through these difficult weeks since Deputy Lyng resigned in January.

The man is putting in immensely long days trying to handle numerous difficult and complicated issues and I don't know how a man could work any harder than he is working. If he hasn't responded timely, I believe that he just needs some help over there and I would like to get over there and help him.

Senator ZORINSKY. I wasn't singling out the Secretary as an individual for neglecting correspondence. Obviously, it is not possible for him to keep up with every single letter. But, as a matter of policy I would hope that you will find a way to expedite congressional correspondence.

Mr. NORTON. Well, I give you my word that I will do my best and I will take the job seriously. The response to you and the other members of this committee and the House Agriculture Committee will get my attention to the best of my ability.

Senator ZORINSKY. Hopefully you will get something back in writing to me in response to my letter of March 12 concerning the transfer of commodities to the large terminal elevators.

Mr. NORTON. Yes, sir.

The CHAIRMAN. Let me suggest, Ed, that you give him a copy of the letters that have received no responses. I expect they will be attended to right quick.

Senator ZORINSKY. Thank you, Mr. Chairman.

The CHAIRMAN. Thank you, Senator.

[The following information was subsequently received by the committee:]

PHOENIX, AZ, *March 28, 1985.*

Hon. EDWARD ZORINSKY,
U.S. Senate,
Washington, DC.

DEAR SENATOR ZORINSKY: The attached answers repond to the questions you submitted as a part of the consideration of my nomination to serve as Deputy Secretary of Agriculture.

I appreciate the opportunity to provide this additional information.

Sincerely,

JOHN R. NORTON.

Question 1. Mr. Norton, the Payment-in-Kind Program operated by the Department of Agriculture in 1983 was criticized for making payments to large farms—farms that many people believe do not need the payments. As you know, Secretary Block decided in 1983 that the payment limitation did not apply to "PIK" payments. do you see advantages to "targeting" federal programs so that most benefits accure to small- and medium-sized family farms, or should the government continue to deliver most program benefits to large producers?

Answer. As you are aware, our Nation currently faces a time of intense budgetary pressures. At the same time, many farmers are experiencing serious financial difficulties. We must carefully allocate the Nation's resources to obtain the greatest benefit for the greatest number of people. With this objective in mind, the Administration has proposed a $20,000 limit on deficiency payments.

Although the exact dollar figure for the payment limitation is clearly open to negotiation, I believe the Administration's basic concept is sound. We have a responsibility to assist small- and medium-sized farms through their current economic difficulties, and to establish policies that will develop a firm basis for the future of agriculture.

Question 2. Do you see a use for payment-in-kind programs in the future? If so, what payment limitation do you believe should apply?

Answer. The payment-in-kind program enacted in 1983 was a response to an unusual set of circumstances. The Administration has proposed a 1985 Farm Bill with loan levels below market clearing prices, which should prevent the necessity for another PIK program by avoiding build-up of surplus stocks. Therefore, speculation about payment limitation levels is not relevant.

Question 3. Your letter to the Office of Government Ethics indicates that the J. R. Norton Company holds interests in various legal entities. However, the extent of the holdings of the J. R. Norton Company is not indicated on your financal statement. Would you please inform us of all companies, partnerships, and other legal entities in which the J. R. Norton Company has an interest, the extent of the interest in each, and the nature of the business involved? Also, would you please provide the same information concerning the holding of the J. R. Norton Company during 1983?

Answer. See attached table.

Question 4. Does your pledge for the J. R. Norton Company not to participate in the price support or lending programs of the Department of Agriculture also apply to the Spence and Norton partnership in which you own a 50 percent interest?

Answer. Yes.

Question 5. Will you also be forgoing any management role in the operation of that partnership? If so, how will you ensure that the partnership will not participate in such programs?

Answer. Yes. I have reached an agreement with Mr. Terrell Spence that the policy of the partnership will be to forgo participation in Department of Agricultue price support and lending programs during my service with the Department of Agriculture.

Question 6. In your letter to the Office of Government Ethics, you state that you will resign as President, Chairman, and Chief Executive Officer of the J. R. Norton Company. In resigning as Chairman of the Board, will you also be resigning your position as a Board Member?

Answer. Yes.

Question 7. You have pledged that "the J. R. Norton Company will not enroll or participate in the deficiency payment or any other USDA price support program with respect to its 25 percent of the Mohave Farms' cotton and grain production." Would you please explain how this can be accomplished? It is my understanding that if a partnership participates in these programs, payments and loans will be made to the partnership as the producer, not to the individual partners on the basis of their interests in the partnership?

Answer. As I have stated in my recusal letter of March 6, 1985, to the Director of the Office of Government Ethics, I have pledged that the J. R. Norton Company will not participate in any USDA price support programs with respect to its interest in Mohave Farms. In the event that all products who are partners in Mohave Farms must enroll in the deficiency payment and other programs, and in the event that any program payment is made, a portion of which will accure to the J. R. Norton Company, I pledge that the amount of such interest will be promptly remitted to the Commodity Credit Corporation or to the United States Treasury, as appropriate. I have also instructed Calcot, Ltd., the marketing cooperative through which Mohave Farms' production is marketed, that 25 percent of Mohave Farms' cotton production will not be placed under loan through the Commodity Credit Corporation, but will be financed through loans made by private lenders.

Question 8. The commodity price support programs operated by Department of Agriculture can have a direct effect upon producers whether or not they participate in these programs. Inasmuch as your farming operations product commodities involved in these programs, do you plan to avoid participating in the development of policies that affect those commodities whether or not your companies participate in the programs?

Answer. I believe that the steps I have agreed to take will assure that no actual or apparent conflict of interest arises between my personal financial interests and the duties I will perform as Deputy Secretary of Agriculture. Those steps assure that I will participate in no matters arising within the Department directly affecting my own personal financial interests, or those of the J. R. Norton Company. I plan to participate fully in the development of agricultural policy in all areas of the Department's programs and operations, and I believe that the steps I have agreed to take are designed to assure that I may do so. In addition, as reported to the Committee on Agriculture, Nutrition and Forestry in a letter of March 14, 1985, from the Director of the Office of Government Ethics, Secretary Block is prepared to issue a waiver under 18 USC 208(b), so that I may participate fully in general policy matters which may affect agricultural interests generally so long as the action does not involve any specific area in which I have agreed not to participate.

Question 9. Your letter to the Office of Government Ethics indicates that you assume that the Government Price Support Programs for wheat and cotton will continue to be voluntary programs. If Congress should enact a mandatory control program for those commodities, what steps would you take to avoid participating in decisions to implement such a program?

Answer. The enactment of mandatory controls for wheat and cotton appears highly unlikely. However, in this unlikely event, I would review the requirements of the ethics statutes with Government ethics counselors and take whatever steps are deemed appropriate, even to the extent of resigning my position as Deputy Secretary, should it be deemed necessary.

Question 10. Do you also plan to avoid participating in the formulation of any position of the Department of Agriculture concerning the advisability of any legislation to establish a mandatory control program?

Answer. No. I believe the steps I have taken assure that I am free to participate in policy discussions generally without risking any actual or apparent conflict of interest.

Question 11. The Department of Agriculture is involved in many programs and regulatory activities that may affect your business interests. These include the Commodity Programs, PACA, Marketing Orders, Plant and Animal Health Laws, and possibly Forest Service matters. If you avoid participating in development of policies that may affect your financial interests, will you be able to serve as an effective Deputy Secretary of Agriculture?

Answer. Based on the other answers provided herein and on the testimony in my confirmation hearing, I believe I can serve as an effective Deputy Secretary of Agriculture.

Question 12. You state in your letter to the Office of Government Ethics that you will avoid participating in matters that have "a direct and predictable effect" upon the J. R. Norton Company or its subsidiaries. Would you please explain your understanding of what would constitute a "direct and predictable effect?"

Answer. I have agreed to recuse myself from participation in any particular matters arising within the Department of Agriculture not only concerning the J. R. Norton Company and any other entity in which it holds an interest, but also concerning farming or ranching operations generally in the California and Arizona counties where my farming and ranching interests are located. I have therefore agreed not only to abstain from involvement in any matter which may affect the J. R. Norton Company itself, but also from involvement in matters involving my farm-

ing and ranching neighbors or competitors located in the same counties where my operations are located. In addition, I have agreed to recuse myself from involvement in any matters arising under the Perishable Agricultural Commodities Act or under the voluntary grading programs administered by the Agricultural Marketing Service which may have "a direct and predictable effect" upon the J. R. Norton Co. or its subsidiaries. What would constitute "a direct and predictable effect," of course, would depend upon the issue or matter under consideration. General policy discussions, for instance, would not generally be considered to have "a direct and predictable" effect upon the interests of a single producer. However, a determination which is likely to affect all producers of a commodity directly, in circumstances where a commodity is produced by a limited number of farming entities, could be said to have "a direct and predictable" effect upon all such producers—even though the matter under consideration was not a particular matter affecting specific parties. I will consult with the Department's ethics counselor in those situations where the existence of a "direct and predictable effect" is unclear.

Question 13. You indicate that you plan to continue as trustee of three family trusts. To what extent are the interests held by those trusts affected by programs and activities of the Department of Agriculture? If you continue to serve as trustee, what steps will you take to avoid participating in decisions that may affect the financial interest of those trusts?

Answer. I plan to continue fulfilling my legal responsibilities as trustee of three family trusts. Neither my wife nor myself are beneficiaries of any of these trusts. A complete itemization of the assets of these trusts is on file with the Department of Agriculture. It is unlikely that any decisions of the Department of Agriculture would affect the financial interests of the trusts. The only trust assets related to agriculture are three tracts of farm land, which are currently under long-term leases at fixed rental rates. I will not have any involvement in the management of farming operations on those lands.

Question 14. Your financial statement indicates that you have interest in a number of oil and gas companies. Do these companies hold oil and gas leases, or mineral rights, on Forest Service lands? If so, will you avoid participating in any decision relating to policies affecting oil and gas leases, or mineral rights, on land in the National Forests?

Answer. No. I do not have any oil, gas or other interest that would prevent my full participation in Forest Service decisions on oil and gas leases or mineral rights.

Question 15. Would you please explain what you mean when you state in your letter to the Office of Government Ethics that you "will forgo receipt of any salary or other compensation from these farming operations?" Does this include income from the distribution of profits from such farming operations?

Answer. I have previously been compensated by the J.R. Norton Co. in the form of a salary. I will not receive any salary from the J.R. Norton Co. during my term as Deputy Secretary. The potential exists that I will receive some distribution in the form of dividends or partnership profits. However, I will receive no earned income from any of my interests.

Question 16. If you are not going to play any management role in the operation of the J. R. Norton Company and its subsidiaries, how can you ensure that these companies will not participate in any Department of Agriculture price support or lending program during your tenure as Deputy Secretary of Agriculture?

Answer. A company policy has been established that the J.R. Norton Company will not participate in any of these programs during my tenure as Deputy Secretary. The Board has agreed to formally adopt a resolution to this effect upon my confirmation by the United States Senate.

Question 17. You have interests in many other businesses other than the ones that you address in your letter to the Office of Government Ethics. To what extent are these businesses affected by USDA programs and regulations?

Answer. I have reviewed all of my business interests. Other than the interests specified in my letter to the Office of Government Ethics and my Financial Disclosure Report, I can find no interests that will be directly affected by Department of Agriculture policy.

Question 18. What steps will you take to avoid participating in decisions that may affect those businesses?

Answer. In light of my answer to the question, this question is not relevant.

Question 19. In your biographical data, it is indicated that the J. R. Norton Company operates in the states of California, Nevada, and Arizona. However, your letter to the Office of Government Ethics does not mention any operations in the State of Nevada. To what extent does your Company operate in the state of Nevada?

Answer. The J.R. Norton Company produced lettuce in the Pahrump Valley in Nevada. The company is in the process of closing out these operations and plans no further harvests there.

Question 20. The Agricultural Marketing Agreement Act allows growers to petition the Secretary for a variety of self-help marketing tools—grade and standard regulations, research and promotion, volume regulations, reserve pools, and combinations of the above. (A) Do you have any concerns with growers deciding to use any of these marketing tools?

Answer. No.

Question 20(B). Do you have any philosophical difficulties with the marketing order statutes? If so, specifically what concerns do you have?

Answer. The Agricultural Marketing Agreement Act of 1937 clearly establishes the authority for marketing orders. It charges the Secretary of Agriculture with the responsibility for administering such marketing orders as are initiated by commodity producer groups. I have no philosophical objection to this program as established by the Congress.

Question 20(C). Do you have any assurances that you will be free from undue management restraints from OMB in this area?

Answer. The Agricultural Marketing Agreement Act requires the Secretary of Agriculture to make determinations and establish policies regarding the operation of marketing orders. The Act does not create a role for the Office of Management and Budget, nor does it authorize the Secretary to delegate any of his decisionmaking functions to OMB.

Question 21. On February 4 of this year, Secretary Block suspended volume regulation for navel oranges. The decision was justified on the basis of the freeze in Florida as well as the fact that parity prices were being exceeded. The decision seemed to imply that the Florida freeze would result in less fruit reaching the market and thus higher retail prices to the consumer. *(A)* Inasmuch as Florida produces fruit primarily for the juice market while California-Arizona grows for the fresh market, do you believe that the Florida freeze should have been a major factor in the decision to suspend the volume regulation on naval oranges produced in California and Arizona?

Answer. The Florida freeze was not the major factor in the Secretary's decision to suspend volume regulation for navel oranges, and I do not believe it should have been a major factor.

Question 21(B). Since the Secretary's decision, it is my understanding that growers are receiving less money, less fruit is flowing to market, and retail prices remain high. Under these conditions, do you believe that a return to volume regulation is warranted?

Answer. The latest information available to the Department of Agriculture reveals a considerably different situation. The season average price for navel oranges will be in excess of parity. In the absence of marketing restrictions, all available fruit is being harvested and marketed. The average retail price paid by consumers has declined, while growers will receive an overall higher net return. In light of these conditions, the Navel Orange Advisory Committee has ceased recommending the reinstatement of volume regulations.

Question 22. As you are aware, the Marketing Order Program has enforcement provisions. Those who violate the Order are subject to civil or criminal penalties or both. Would I be correct in assuming that it is your intent to ensure that Marketing Orders are enforced in a consistent and equitable manner?

Answer. Yes.

Question 23. Would it be your intent that the Administration recommend to Congress any changes it believes should be made in the marketing order statutes instead of using the administrative process to make controversial changes?

Answer. The Administration is not aware, nor am I, of the need for any significant statutory changes. The Department intends to carry out the administrative process precisely as Congress intended when the Agricultural Marketing Agreement Act was enacted.

J.R. NORTON CO. INVESTMENTS IN CORPORATIONS AND PARTIALLY OWNED PARTNERSHIPS

Entity	Ownership share	Activity
24th Street Venture	25 percent	Office Building—Phoenix (liquidated in 1984).
Sun State West	18.5 percent	Commercial land development.

J.R. NORTON CO. INVESTMENTS IN CORPORATIONS AND PARTIALLY OWNED PARTNERSHIPS—Continued

Entity	Ownership share	Activity
Remuda Oil & Gas Liquidating Trust	20 percent	Oil and gas investments.
Remuda Petroleum, Inc.	18.99 percent	Do.
JRN Co.	100 percent	Oil and gas operations.
Vega Petroleum Oil & Gas	Varying working interests	Oil and gas explorations.
Delta Six Oil & Gas	do	Do.
Remuda Oil & Gas	do	Do.
Helmerich & Payne	do	Do.
Norton Feeding Co. (Spur Industries, Inc.)	58 percent	Cattle feeding operation (now in liquidation).
Norton Development Co.	100 percent	Real estate development.
Modern Ginning Co.	5.88 percent	Cotton gin.
Salinas Cooling Co.	100 percent	Lettuce cooling facility.
Cal-Fresh, Inc.	25 percent	Lettuce processing company.
Supreme Berries, Inc.	100 percent	Production of strawberries.
The Garin Co.	100 percent	Production of fresh vegetables.
Telstar, Inc.	1.5 percent	Satellite communications network.
J.R. Norton International	100 percent	Domestic international sales corporation.
Blythe Cooling Co.	12.5 percent	Lettuce cooling facility.
San Tan Ranches	50 percent	Agricultural production.
Mohave Farms	25 percent	Do.
S&N Farms	50 percent	Farming; real estate subdivision (Sun Lakes Marketing).
Bear Creek Vineyard	33⅓ percent	Vineyard.
Sunven	3.03 percent	Venture capital partnership.
Colorado River Development	25 percent	Real estate leasing.
Meadview Co. Ltd. partnership	1 percent	Recreational subdivision.
Pleasant Land Co.	25 percent	Recreational land sales.

This list represents current ownership interests, as well as those applicable for 1983. There have been no additions to or deletions from this list since 1983, except for the Norton Development Co. which was established early this year.

The CHAIRMAN. All right, John. Here we go again, as the saying goes.

Senator MELCHER. Mr. Chairman, you said at the conclusion of our hearing this morning that it was difficult for Mr. Norton to answer hypothetical questions. Surely you don't view television news reporters questions hypothetical, do you?

The CHAIRMAN. Speaking for CBS——

Senator MELCHER. You stated, Mr. Norton, that you have never seen this or were even aware of this KRON television station in San Francisco and the series that they ran in October dealing with Calcot, so I don't want to put you at a disadvantage, but the point they raised, nevertheless, has been around. Somebody gave them to me 10 days ago, so I assume others had them about the same time.

I'll ask the questions based on statements because I think it is important that we have some understanding of your views on these points that are raised.

The ASCS apparently delayed the announcement of the freeze from March 11 when it was anticipated until I believe it was March 18; is that correct? Generally, the ASCS says the market was going up during that period of time.

Calcot allegedly received cotton. Let me read you the substance of the allegation. Jimmy Accamazo and the other farmers had already sold the cotton they were promised. They later found out that much of the Government cotton they were expecting was on its way to the Soviet Union. This farmer, Jimmy Accamazo, esti-

mated the economic loss to farmers to be between $40 and $50 million.

Presumably these farmers did not receive PIK cotton. Are you aware that some farmers did not receive the PIK cotton?

Mr. NORTON. I am aware that some farmers didn't participate in the PIK Program, and so would not have received PIK cotton. I am not aware that any farmer who participated in the PIK Program did not receive PIK cotton, but I'm also aware that the producers who participated in the PIK Program received some PIK cotton from CCC storage stock and some from the plant-for-PIK portion, which was required of each grower when they determined that the CCC stocks were insufficient to meet the demands of the PIK obligation of the Government.

Senator MELCHER. I'm not stating that this television report clearly states the case.

Mr. NORTON. And that's why I was trying to give a complete answer.

Senator MELCHER. Yes. I understand.

The CHAIRMAN. John, would you like to have these other two men come up in case they can add to the answer?

Senator MELCHER. Surely.

The CHAIRMAN. All right. Mr. Cozart and Mr. Gabriel.

Senator MELCHER. Now, we come to our second series of dates. The reporter at KRON says that large cotton brokers, as early as May 2, according to a Congressional Review Program, knew of the Government's emergency plan to buy cotton at premium prices.

What I am asking you Mr. Norton, at about the 1st of May, were you aware that the Government was going to buy cotton for PIK?

Mr. NORTON. I became aware sometime during the growing season. I couldn't be specific about a date, but I did become aware during the growing season that the Government would need to buy cotton under the plant-for-PIK provision to satisfy their contractural obligations to the growers.

Senator MELCHER. Responding to the reporter, Willoughby Howell, who lives somewhere in California, said, "We didn't know what was going to happen." We, meaning the farmers in his area, I guess. "In fact, we didn't know what the final percentage on that was until sometime in September and that's when our harvest had started."

The reporter said, "According to Everett Rank's appointment calendar, telephone log, Mr. Rank sought advice from Neal Gillen several times beginning May 2."

We went back to check the schedule of activity of Mr. Rank's office around that time and in looking at Mr. Rank's phone logs, on the morning of May 3 at 9:10, Neal Gillen of American Cotton Shippers called your office and left a message. "Important. Hold up the announcement for 48 hours." The announcement was to the effect that the Department of Agriculture would have to buy cotton at market prices; is that correct?

Mr. COZART. No, sir. That's incorrect. We didn't buy any cotton at market prices.

Senator MELCHER. What did you buy it at?

Mr. COZART. The producers were to submit confidential bids as to what percentage of any cotton they owned that they would keep and let us have the rest.

In other words, if a guy had a hundred bales of cotton under loan that he didn't need for PIK, he might bid to keep 10 bales and let us have 90 and we would forgive any lien against those 10. It was a PIK for PIK was the term that was used.

It was the same term or we bid it the same way we did when we acquired additional wheat and corn when we found we were short on wheat and corn. And the fact is it was legislated to us to open it up and use the same provisions on cotton as we did for wheat and corn. In other words, not less than the same percentage bid that we accepted on those.

Senator MELCHER. The loan rate was what?

Mr. COZART. It depended on whether it was 1980, 1981, or 1982 crop that the producer still had under loan.

Senator MELCHER. Let's say it was the 1982 crop.

Mr. COZART. I think the loan rate was about 55 cents a pound national average.

Senator MELCHER. Fifty-five cents?

Mr. COZART. Yes, sir.

Senator MELCHER. Where was the market?

Mr. COZART. At about that time I would imagine—I don't know where the market was, but I'd say average cotton, in the average location was in the neighborhood of 60 to 65 cents. I don't know that for sure. I'm not a market specialist, but it was above the loan at that time.

Senator MELCHER. It was above the loan? Would that account for the statement on premium prices?

Mr. COZART. Yes, sir. Well, in other words, if the producer had a loan against the cotton, say there was a hundred bales. It was all under loan, and what we were asking him was how many would you need to keep to let us have the rest of it, and that was his bid.

And it was competitive because it was a sealed bid, and on the same day the committees got together and opened these up and said, "Here is what our bids are." Sent them into us. We looked to see if there was enough cotton and at what level we would cut the bids off. We did this on other commodities. It was not just a deal that we did for cotton. Sure, if they had some cotton free and clear of PIK that they could sell.

Senator MELCHER. It was more money?

Mr. COZART. Sure. I mean they converted the cotton to money, but it was cotton that they still had control of, and we were asking them to give it to CCC and keep part of it and we'd forgive the loan on it.

Mr. COZART. But we didn't purchase as going out and pay dollars.

Senator MELCHER. How are these farmers supposed to know what you were doing?

Mr. COZART. Because we made an announcement of what we were doing.

Senator MELCHER. How did you do that?

Mr. COZART. By press release and by putting out notices to all of our county offices and for them to publicize them locally. It was in

national press releases. So we tried to inform everyone involved in cotton what was going on and what the procedure was.

Senator MELCHER. Is it fair to say that the announcement by the Department was made on May 2?

Mr. COZART. I don't remember the precise date. I would imagine it was about there.

Senator MELCHER. Is it fair to say that when the announcement is made that the Department of Agriculture doesn't have sufficient amount of cotton on hand to meet its obligation under PIK, the market is going to go up?

Mr. COZART. It could.

Senator MELCHER. It could? What does that mean? It would like to?

Mr. COZART. It was common knowledge that we didn't have enough——

It was common knowledge prior to May 2 that we didn't have enough cotton to satisfy PIK. Now, how were we going to acquire that cotton was the question on May 2, if that was the date.

Senator MELCHER. Well, let's answer the question though. Does could mean likely to go up?

Mr. COZART. There are a lot of psychological things that influence market, and as far as the psychological thing that could influence market, I would say that it probably would.

Senator MELCHER. Did it go up?

Mr. COZART. It continued to go up on into I think the fall of the year. I don't know at what point the cotton started or leveled off or went down. Like I say, I'm not a market specialist, but I know that the price of cotton did continue to go up for a period of time.

Senator MELCHER. Is this a legitimate complaint they made?

Mr. COZART. No, sir.

Senator MELCHER. Why?

Mr. COZART. The problem, and I haven't gone and looked at the individual producers problem, but based on the TV tape of that TV series. The producer that was complaining made a bad judgment on marketing his PIK. He didn't think PIK would be worth the loan rate, so he contracted his cotton early before the end of sign-up probably, and he took a lower price than he would have had he held onto his cotton and sold it at a later time.

Senator MELCHER. The only way that he is disadvantaged is if somebody else has better information than he has?

Mr. COZART. No, sir. I can assure you that all of the decisions pertaining to the PIK Program were kept in strict confidence until such time as they were made public.

Now, we consulted with a lot of different people concerning various things and we did consult with the cotton shippers, with co-ops and what have you on what was the best method for us to go about trying to acquire those additional cotton stocks that we needed.

We did the same thing when we were buying additional corn. We consulted with the feed industry. It's just to get their ideas and opinions. But decisions were made in confidence.

Senator MELCHER. You said the person made a bad judgment by perhaps selling——

Mr. COZART. There were a lot of people who sold their PIK early because they didn't think it was going to be worth much.

Senator MELCHER. So their shortfall is that they were wrong in their thinking?

Mr. COZART. It was their marketing strategy that was wrong.

Senator MELCHER. All right. If they had been aware that the price was going to increase, they, of course, would not have done it; would they?

Mr. COZART. No, sir. I would presume they wouldn't have.

Senator MELCHER. The point then really gets to whether or not these announcements were made at a time when everybody could know what was happening. The allegation by some, I take it, is that they weren't aware that the freeze on March 11 when it was to be set was changed to March 22.

Mr. COZART. No one knew about that, no, sir. Prior to it being done.

Senator MELCHER. The allegations even hint they weren't aware after it was done. Now, March 11 and March 22, your press releases and your notifications through the offices and so on hasn't really reached the producer.

Mr. COZART. Well, I believe Mr. Norton's testimony awhile ago concerning Calcot's sales to Russia, all those sales took place prior to the freeze, had we not delayed it for the co-ops.

So that allegation doesn't hold much water.

Senator MELCHER. I'm just trying to think like a farmer is thinking.

Mr. COZART. He's made a bad marketing decision and he is trying to blame someone.

Senator MELCHER. I am just trying to think like this farmer is thinking—under what circumstances they would feel that these smaller farmers would have lost $40 to $50 million. I believe you have probably answered that by saying that they moved on their sale.

Mr. COZART. They contracted cotton that they didn't have.

Senator MELCHER. Too quick.

Mr. COZART. That's right. Too quick. And it was cotton that they didn't have. They were expecting it under PIK that they were marketing, too.

Senator MELCHER. Then you further testified that they should have had that information.

Mr. COZART. He had just as much information as anyone else had at that point in time. Or had access to it.

Senator MELCHER. If there was information that was advantageous to some, those allegations could have some merit?

Mr. COZART. Yes, sir. If someone knew what we were going to do, I would say that there would be some advantage, yes, sir.

Senator MELCHER. The Justice Department is investigating at least two individuals on this point? Did I understand you?

Mr. GABRIEL. Yes, sir; that particular allegation is part of that investigation that is with the Public Integrity Section of the Department of Justice.

Senator MELCHER. With Mr. Rank and Mr. Gillen; is that correct?

Mr. GABRIEL. Yes, sir.

Senator MELCHER. And there are more?

Mr. GABRIEL. There was a series of allegations, but they are all in that area of conflict of interest.

The CHAIRMAN. Why don't we put a peg down. I notice Senator Boren is here and may I suggest, gentlemen, that we go ahead and question the nominee, and then I will suggest that we continue the interrogation of these gentlemen and anybody else or that we set aside a special hearing for that purpose, or both.

But I think that courtesy would indicate that we ought to go ahead and ask Mr. Norton the questions relevant to him, and then proceed with the questions that Senator Melcher and perhaps others might have.

So, Senator Boren, you are recognized.

Senator BOREN. Thank you very much, Mr. Chairman.

The CHAIRMAN. We appreciate you coming.

Senator BOREN. I apologize that I have been delayed in other committees this morning. This happened to be a day of committee meetings for me and I apologize that I have been delayed in getting down here.

I wanted to ask Mr. Norton, we've been already discussing the farm bill and outlines of where it might go. Do you have any problem with the concept that I see emerging among a number of members of the committee that if we are given a dollar figure within which we must live, that we try to target that amount of money and the terms of our commodity programs in a way that it will give the maximum chance of survival to the family farm, and many of those family farm units that are experiencing the most difficulty. By that I mean, for example, now the payments of our programs are targeted per bushel now or per unit generally.

By paying the same amount on all of that production, we can run up some rather large costs, while at the same time not really generating an adequate cash flow for the middle-sized farm unit to survive.

So, there is a feeling that if we are going to do the job with the same or a lesser amount of money that we are now expending, then we are somehow going to have to find a way of targeting those funds in a way that will make the survival of the maximum number of smaller and medium-sized units possible.

So, do you have any problem with that as a general principle or the general thrust of trying to move for the program that would do that, either through some kind of a transition payment or some modification of our existing target and loan rate program to provide a general targeting of more of the resources for smaller and medium-sized farm units?

Mr. NORTON. No, sir; I think this was one goal of the 1985 farm bill submitted by the administration, which would reduce the payment limitation to $20,000. I'm not sure there is any magic about $20,000, but the mathematical exercise that we may be faced with is to determine how many dollars we think we can budget and still achieve the goals of the Budget Committees of the Congress and the administration in restoring some fiscal balance to our national deficit problem. We will need to estimate very carefully how much we can pay as a maximum to any given farmer and spread those dollars around amongst the most participants possible to try to do the most good for the most people.

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It probably in many cases won't be as much as some people would need or like to have, but our goal, I think, is to make the broadest use of the benefits that we have available to us and help as many people as possible. I think that is the thrust of the 1985 farm program that the administration and the Department of Agriculture have presented to the Congress.

Senator BOREN. Well, as you know, of course, there has been some criticism because of your own payments in the past. I don't know if that is what some of the discussion here or not is on.

Mr. NORTON. For a minute or two.

Senator BOREN. For a minute or two. I don't have any problems. One of my friends in Oklahoma said to me the other day, after they had read some statements in the newspaper on this subject, said, "Well, if I were ever appointed to anything would I be ruled out of order because I have benefited from the oil depletion allowance, which has been on the books for a number of years?" And I think that is a fair question. If something is the law and it is there for every producer to participate in, there is certainly nothing wrong, and if you are operating as a trustee for someone else, in fact, you would be imprudent if you did not take advantage of programs that are lawfully in place.

That's a separate question from whether or not the programs are as they should be. I personally have no quarrel with you for being a successful businessman or a person who has built a very successful agricultural enterprise and takes advantage of programs that are in place.

I think we must recognize that if we have only a limited amount of Government funds available for a commodity program, and we make payments of $3, $4, $5, or $10 million or whatever the figure is to some individuals, obviously that greatly reduces the value of the program by reducing the amount of money and the resources you can target to those that might be in the middle or confronted with the most economic distress. I gather at least as a principle you have no trouble trying to adopt programs that will continue in existence the maximum number of farm units that can be efficient producers.

You are not an advocate necessarily of centralization in agriculture or targeting our resources towards more and more centralization?

Mr. NORTON. Not at all, Senator Boren. I believe that there are some inexorable facts of life that dictate that we may see a further and gradual reduction in the number of farmers, due to technological changes and other things that may be beyond the power of the Department or the Congress to control. However, I think it is our goal to serve our industry and help our farmers through any transitions with the least pain possible, and to benefit the consuming public of the United States.

We find ourselves sometimes serving goals that are slightly at cross purposes. When we have to make difficult choices, we must reason them very carefully and that is why we must work together on these problems. I don't come to you with all the answers; but I think we have reasonable answers that we can attain if we work at it with diligence.

Senator BOREN. On the matter of the farm bill, we heard the testimony from the Secretary on the major administration farm bill proposals viewed a couple of weeks ago, I believe.

There were several things that alarmed me about it. Frankly, one was the projection that we would have a reduction of net income perhaps by another 20 to 30 percent over the next 2 or 3 years; although the projection was in the long run we might see some rebounding of farm income after that.

I'm very concerned given the fragile nature we are in that we could not survive a decline of net farm income in that period. There was also a projection that in spite of our best efforts, given the fact that the dollar is still so over valued because of our budget deficits and other reasons, exports might continue to decline in value perhaps another 11 percent next year. I believe that was the figure that was given. There did not seem to be any new tools in the farm proposal from the administration, at least thus far, to be added to those in existing law that would help us to develop export markets.

There have been all sorts of ideas talked about. We got into some in the Finance Committee this morning. There has even been talk, as you know, of some kind of funding set-aside to use to equalize treatment for our producers if they get into competition for a particular market and they are facing a farmer from another nation that receives an export subsidy from his government. We could selectively use certain tools to say, "All right. We'll match that in this case."

Sort of in the way that we did in using existing tools in the Egyptian flour situation where we fired, I think in that case, a very effective warning shot across the bow that you better come in and have some negotiations with us. I think we are going to have to do more of that.

Is there a possibility that there may be consideration given, not necessarily to this proposal, but to others, is this an area that has interest for you that the administration might at least be open to additional suggestions or perhaps some new innovations they might come up with in the House to give us more tools beyond those that we already have to deal with improving our export capability?

Mr. NORTON. Senator, I think you've got your finger on the key to our agricultural future. I would welcome any positive suggestion and would hope that I could see that any positive suggestion to develop an additional export potential be evaluated by the Department and be promoted if it seemed to have merit.

We have a couple of psychological humps to get over in the United States. One is that we must continue to develop the Soviet Union as a trading partner for our agricultural products. They consume and purchase from us for cash immense amounts of our products. We need them as a customer and it is good for our country. We need to address our budget problems, if that is what is creating the high dollar. I understand that the dollar peaked on or about March 5 and seems to have weakened a bit lately. Maybe that shows we have passed the turning point. I can only hope so.

That can cut two ways also as you know.

Senator BOREN. Well, I hope that happens on the right or gradual timetable——

Mr. NORTON. Exactly. I think the export PIK Program that has been mentioned deserves study. I don't feel like I'm an expert in that subject, but I want to become better informed.

I know that there is cargo preference legislation being proposed and that issue certainly needs to be addressed. If we are going to subsidize another part of our economy, I think we ought to place that charge where it belongs.

I want to work on all these issues. This is the future of American agriculture. Some 30 or 40 percent of our product has been going export and I am not one to ask that we shrink our agriculture with supply management. I'm one to say let's take the positive approach, the more aggressive approach, and get out there and compete in the world and become a strong, tough competitor for these markets. I happen to have faith in the American producer that we can do this and that as scon as our farmers understand we have to roll up our sleeves and go to work, we will get the job done.

Senator BOREN. Well, I hope that you'll get over there at the Department and will take this on as one of your own personal causes to look into this export area and the tools that we now have. Take a look at these proposals, like further expansion of the export PIK concept or a reciprocity fund or something else that might be available to the Secretary or to the President to use on a discretionary basis in individual situations to equalize the competition for our farmers if they are competing with the governments of other nations. Get the attention of those governments. I'm a great free trader, but I've also felt that unilateral disarmament doesn't work in Geneva and it won't work in trade relationships either.

Sometimes you have to be prepared to fire that warning shot to get their attention, to get them to the bargaining table.

There is another area, too, and I——

The CHAIRMAN. Senator, will you yield?

Senator BOREN. Yes.

The CHAIRMAN. There were two meetings yesterday to which I happened to be invited on the very subject you are talking about. The proposals that are being made do not require legislation. We are talking about things that can be done administratively, and I guess I ought not to discuss in any detail how far we got.

Now, we had representatives of the major commodities and the American Farm Bureau Federation and all the rest. But I was very much encouraged by the spirit of the discussions at the meetings, and I think you would have, too.

But, in any case, I agree with you that firing shots across the bow is absolutely essential, but it may be that we fired one or two through the bow, you know. The arrogance of some of our trading partners is unbecoming. I'm trying to find a nice word, but if we go in the back room, I'll tell you what I really think of it.

I think there is a general concensus on the question and we have got some decisions to make down the line with respect to the farm bill, but I believe that if we put our minds together and with the help of this gentleman, after he is confirmed, and the Secretary and others that we can offer some real hope and some real encouragement to our farmers. As you say, and you are exactly right, we have got to get back into the export business, and if we don't do that then the situation is mighty grim.

Senator BOREN. They obviously have to come up with a farm bill that allows us to be competitive in international trade while somehow still maintaining sufficient cash-flow to the family farm unit domestically that allows it to survive somehow. I think if we can target whatever dollars we have effectively to achieve those twin goals, get us into the world market while preserving the family farm unit. That's going to be the argument as to how we do that.

Let me ask two other quick questions and I won't take more time. I see Senator Wilson has come in, too.

Tax incentives are another aspect that has been talked about. I've been reading an interesting series of articles recently in some of our local papers talking about tax incentives.

They can be a blessing or a curse sometimes. I think this is another thing that we need to look at. In some cases we have drawn people into agriculture who really are not farmers, who really came into it to get certain tax advantages. That then had the effect of running up the cost of everything for the legitimate farmer, because these people were paying with 50 cent dollars or even less because of certain tax advantages they were drawing and a lot of the real farmers didn't have the cash-flow to take advantage of some of these large investments to get the tax breaks, and there has been a suggestion that our Commodity Programs coupled with our tax laws have been helping to drive this trend toward wiping out the family farmer.

I know like the grape growers and others actually requested a back off of some of the tax breaks that the industry got earlier. Has there ever been a comprehensive effort, I say this as a member of the Finance and Agriculture Committee with apologies that I have not been as sensitive to this interrelationship as perhaps I should be, but do you know whether the Department has ever made a study to try to determine how our tax policy and the various tax incentives might relate to our agricultural policy in terms of helping to build pressures in certain directions?

Mr. NORTON. No, I don't know what the Department has done on it, because I think that perhaps historically the Department has felt that tax policy is a matter for the Department of Treasury.

This is a subject that particularly fascinates me. I have had a good deal of personal experience with it, both as a benefactor and victim.

I could talk about it longer than I think the rest of the participants here today would care to hear about it. I would be delighted to have a personal meeting with you on this subject, including the cash basis versus accrual effects on farming, on depreciation, on breeding herds, on allowance of prepaid feed costs as a tax deduction, on the failure to require capitalization of groves and orchards. Those are fascinating subjects that have a tremendous impact on our small- and medium-sized farmers, and are often grossly overlooked.

Senator BOREN. Well, I appreciate your comment. I hope this is something again, I think your background puts you in a unique position, and I say this again without criticism because just as we were saying about the PIK Program awhile ago, you've seen both sides of it really.

I think you are also very sensitive to how it would impact the medium-sized farmer and you have expertise in that area, and I hope this is something, maybe we can even get a joint Treasury and Agriculture Department task force to look at together. We need to pool our expertise. Senator Dole, Senator Pryor, and I are of course, on both committees. There is some overlap and I think it would be a real interest to make sure that what we do with the agriculture bill in the agriculture committee does not conflict with some of the things that the finance committee might be doing in the tax area, but that they would be complimentary to each other.

Let me just ask one last question. There is still concern about the reports on our emergency credit that we recently worked on. I believe Mr. Naylor reported that we'd only had less than $7 billion out on the guaranteed program. Sixty-one, I believe, was the last figure I saw, and we have also had a transfer of $300 million from the Disaster Emergency Loan Program to the Operating Loan Program. That follows through with the assurance given by the President that everybody that qualified would be served in the operating loan program. There would be necessary transfers.

I'm a little concerned about just a policy of transfers. I have two questions. One, is the Department working to try to get this guaranteed loan program moving? Again, it appears not to be moving as we hoped it would and as it must, I think, if we are going to take care of those farmers that need it. I am not just concerned about those at the very bottom who are already the Farmers Home clients, so to speak. I think the really alarming problem is this middle group that has traditionally been handled through the PCA's, the land banks and the private banks. These are the people, whom you would call the solid backbone, who are now beginning to experience severe trouble. They haven't had this kind of trouble before and I am worried about them falling through the cracks if we don't get things like the guaranteed loan program working, if we don't work with the PCA's and the Farm Credit Administration. We continue to get rumors that farmers who have never been behind on a payment, but because of falling land values are now being hounded and worried and pressed by this insufficient collateral argument. Now, even though you have been totally current, but the land values have fallen and the bank examiner comes in and says that your collateral is insufficient.

Plus, as other PCA's and land banks have problems in other parts of the country, all the remaining customers and members have a higher rate all the time. So that is another thing that is squeezing what you might call this backbone farmer in the middle who has never been behind on his debt is having collateral problems. He is having increased service costs on his loans as other PCA and land bank customers have fallen by the wayside and they have to raise the costs to the remaining ones. I'm worried about those people and I do hope that the Department is taking action to try to get this program moving more rapidly, particularly the Guaranteed Operating Loan Program and also looking at the Ownership Program again. That's the one place that Mr. Naylor said that they had not agreed to an unlimited amount to service every customer's need. I understand that, in the sense that we don't want to get back to this old thing like we had before where the FmHA

was going to people, young farmers, and saying, "Say, you ought to go buy that great piece of land that has come up. Your neighbor is trying to sell and we'll loan you all the money." That's how we got a lot of people in trouble that we never should have given them that additional credit in the first place. I'm not talking about that.

But I am worried about making available ownership money to those folks who have been in the private banks and the FLB's before but who, because of a collateral value problem not because they are in arrears on their payments, are now finding themselves in need of an ownership guarantee approach to put it together with what they already have.

I'm hoping you'll work on that and would appreciate your comments on whether or not there is a real urgency being given to that in the Department now in terms of taking care of these kinds of people. Second, I'm concerned that the Department be willing in the future to ask for supplemental appropriations if necessary instad of transferring funds appropriated for other programs.

I understand that we are in a tight budget situation, but we don't want to set the precedent of just drawing down everything else to the bare bones through transfers rather than going in and seeking a supplemental if you really need a supplemental in certain areas.

Mr. NORTON. I agree with that. I think you can't "rob Peter to pay Paul" and wind up hurting some other worthwhile programs, so I think that situation will have to be faced. I'm not sufficiently experienced in the Farm Credit Program at this time to predict how far the Farmers Home Direct Loan Program is going. It looks like it is growing rapidly at this time, and probably will need some infusions of large amounts of capital, but I don't believe it is appropriate for me to try to make a guess on that at this time.

I do concern myself a little bit with the philosophy of the Government being the lender of last resort. You are kind of "Damned if you do and damned if you don't," where we are prohibited from going out and seeking the good customer and we have to wait for the customer who has been turned down by his bank.

We may need to take some hard philosophical looks at this for the long term. We are already committed to trying to do all we can here for the short term.

Senator BOREN. Do you know if there is anything in the Department going on, whether there is a task force or some kind of emergency force being put together to try to work on this. I'm so alarmed. I differed with the administration on its veto of the additional steps that we tried to get, the interest buy-down, the mutual shared buy-down by the banks and by the Government, but I am really concerned that it doesn't appear that we are getting much out.

As I say, I think Mr. Naylor's latest was only 61 loans.

Mr. NORTON. I was advised yesterday that we are approaching 100 on the direct loans, $100 million, and 100 loans. On the guaranteed loans, I'm sorry. I said that wrong. On the direct loans it is in the area of a billion six and growing very rapidly, so your point is well taken that the direct loans are taking the whole load. I would like to apply whatever energies I have to try and increase the Guaranteed Loan Program and try to trend it the other way.

The forces there are moving toward the direct loan.

Senator BOREN. Well, I hope that you can talk inhouse about that, because, again, that goes back to what I said before. You are dealing with the borrowers of last resort so to speak in the Direct Loan Program. With the others, you are dealing with those who in the past have not been in trouble, who have been very solid operators, but who are now having problems with land values or other problems. I am very, very concerned. We had 104,000 applications. I'm not sure exactly how it was broken down between guaranteed and direct. There were many thousands of potential guaranteed loan recipients and we are here talking about whether it's 60, 100, 40 or something like that. We ought to be talking about several thousands instead of several hundred. I think it is really alarming, because if we don't make that program work, unfortunately, we are going to see a big pickup of business down here.

Those people are going to be ending up in terrible shape at the window of last resort and I think our whole aim is to prevent them from getting into the shape that causes them to fall down into that category.

Mr. NORTON. I share your concerns. I think you are right on target with those concerns and I think we all have to try to understand and develop better objectives than we seem to be achieving. At least I think we are taking care of the hardship cases at this time, to the best of my knowledge.

Senator BOREN. Well, I appreciate your comments and appreciate the interest you have expressed and I think you certainly bring a great deal of expertise with you that could be applied in a very positive way to helping us tackle some of these problems.

Mr. NORTON. Thank you.

Senator WILSON. Thank you, Senator Boren. Mr. Norton, I am more than satisfied as to the competence that you are going to bring to job of the deputy secretary, but I do have some concerns that I would like to share with you. Indeed, I think that I heard my distinguished friend from Oklahoma discussing some of these issues as I came in and I don't want to replow the same ground if, in fact, that be the case.

But, he and I and many others on this committee share a concern that title I of this bill provide some tools that will equalize what has been a very unequal fight for the American farmer in gaining access to export markets. Much has been written and said about the too strong dollar making our produce unaffordable, but at the same time, I think, we all recognize that additionally we have as a Nation not been nearly aggressive enough in securing for both manufacturers and farm producers the kind of liberal access that we afford to those who are enjoying U.S. purchases.

States like mine and, I assume, every other one represented here in this committee, but California in particular, as you well know, is export dependent. In that respect, to put it most simply, if the administration is seeking to return agriculture to a free market orientation, I want to make sure that there are markets so that those farmers can sell what they grow.

In that connection what the administration has proposed as their title I is, I would say, a cautious step in the right direction. I think what the Chairman has proposed as title I, frankly, has more teeth

in it. Obviously, I understand that you as a Deputy Secretary and even Secretary Block are in a stewardship position. You are advocates for the administration, but I needn't explain to you that this is my Administration as well. I have worked hard to elect it, to reelect it. Having said that, I would also have to say what I have said publicly and privately before and that is I do not think this Administration has gone nearly far enough in fighting for export access.

I understand well the overwhelming concern that they have had not to appear protectionists, and I do not think there are very many protectionists in this Congress. On the other hand, I have become convinced that if we simply continually turn the other cheek and say, "No, no, we will never be protectionists," then we are encouraging protectionism against ourselves. If we give that assurance that we never will be protective of our markets, then by God, we will continue to suffer what we have been, I think with impunity on the part of our trading partners.

That being the case, I have some concerns about how we are structured to secure this greater access. I have told our good friend, Ambassador Brock, in a facetious manner, I hope, that he is the best trade representative that we have ever had, but not nearly good enough. This endears me to him a great deal.

He has been, I think, an excellent U.S. trade representative, but I also think that it is a fair statement that agriculture has been the bastard stepchild at whatever negotiating table there has been and that we really can no longer afford this situation. Assuming that we make some progress on the deficit leading to stabilization and a decline of interest rates, we will see the strong dollar adjust accordingly. Even so, we are still going to have a terrible trade problem, if we have not said to our trading partners, this either has to be a two-way street or else we are going to have to readjust our entire trade situation.

The U.S. trade representative has had much on his plate and because that office exists specifically for the purpose of dealing with our export-import problems, I have been concerned that agriculture really has not had adequate representation. It should have more, and it seems to me that the Department of Agriculture has a role there that perhaps has not been exercised.

Now, this clearly is not a view that has been shared by the administration. Yet, I am beginning to hear changes, on the part of spokemen for the administration, indicating that they are beginning to share a congressional impatience, a sense of frustration. This results from, as the Chairman said a little while ago, arrogance on the part of some of our trading partners. I think that description is fairly applied. Indeed, their response to our efforts, that could never be objectively termed protectionist, has been one of fear, and they have lost nothing in subtlety on threatening retaliation.

So, it seems that like it or not, we are going to have to come to grips with this problem, and I would be interested in your views on how we can expand our farm exports and, specifically, what role you would see the Department having in it. I see a number, but I would really be interested in developing your views and would invite you at this point make whatever response you care to make.

Mr. NORTON. The problem of developing and enhancing our export potential in agriculture is so complex and so difficult that I would be presumptuous to tell you that I have any quick or glib answers. The posture of the Department should be vigorous, outspoken, and unyielding in its efforts to convince the administration, the special trade representative, the State Department, and whoever else is involved in our trade negotiations as to the importance of agricultural exports.

I believe there is a growing perception in the executive branch of our Government that if we seriously erode the $38 billion in agricultural exports that we have enjoyed in the past year, it will inure to the detriment of all of the United States. It just isn't simply an agricultural problem, it's a national problem. It behooves us in agriculture to make those people aware that it is a national problem and it transcends simply agriculture.

We must attempt to develop the programs that have been alluded to earlier, determine whether an export PIK Program has merit, and if it has merit then go after it aggressively. I am not prepared to tell you that it's workable at this time, I am prepared to tell you that I want to find out if it is, and I want to pursue it if we determine that it is. We need bilateral trade agreements to protect us and put teeth into our arrangements with other trading partners. We need to develop our markets with the Soviet Union and quit being ambivalent about whether they should or shouldn't be a customer. We need to maintain our export subsidy programs, Public Law 480, and our blended credit and direct credit programs, and try to find other nations and other markets in which we can apply those programs. We need to do it all, and none of it is easy and there are no quick answers.

Senator WILSON. Well, I quite agree with that. It is complex and there are no quick answers. You mentioned in your response the need to coordinate trade policy with other agencies, specifically the Department of State. I think that reflects an awareness which I am delighted to find. There is a very tangled web here, admittedly, but what I think a number of us feel, and I bring a perspective of service not only on this committee but also on the Committee on Armed Services, that there has been much concern, understandable concern, that we offend neither NATO allies, who also are members of the European Economic Community, nor our Japanese allies. That, in fact, we have strictly lost the peace, if I may say so, in terms of what has been a very bifurcated foreign policy on the part of the Japanese. They have been rather passive in their own defense, while we have been spending at the rate of 6 percent of our gross national product and they at less than 1 percent. At the same time, they are very aggressive in their trade policy, having targeted a number of industries which needs no further elaboration. Mr. Norton, I think that concerns that we share are going to be clouded, quite understandably, by competing considerations that will come from the Department of Defense, from the Department of State, and in the past, neither the Department of Commerce, the Department of Agriculture, nor the U.S. Trade Representative has been allowed to weigh in as they should.

I think that we need to be concerned that our position in the world economy depends on the success of our obtaining far greater

access to export markets and dealing with unfair competition in terms of subsidized imports. So I look forward to working with you in that area because there is much work to be done. The chairman's title I, I think, frankly, is an improvement on what the administration has offered, and I like your response and I look forward to working with you to find out exactly what mechanisms, what instruments are going to be available to us to become more aggressive and more successful. Thank you, Mr. Chairman.

The CHAIRMAN. All right, Senator Melcher.

Senator MELCHER. Thank you, Mr. Chairman. Mr. Norton, much of the questioning today has involved the letter from the inspector general on the method in which they determined PIK payment. The letter stated the amount you received in 1983 Payment in Kind or PIK payment of $1,973,000 covered both wheat and cotton?

Mr. NORTON. Yes, sir.

Senator MELCHER. You have separated that into so much for the wheat and so much for the cotton. The discrepancy between the $1.5 and almost $2 million has been described as figuring the value of the cotton per pound at loan rate and the value of the wheat at loan rate per bushel. Do you agree with that explanation?

Mr. NORTON. Yes, I am convinced that it's a fact that the Department would have no tool, other than to compute the number of bushels or pounds of cotton times the loan rate, in determining what my PIK benefit was. This is because after the commodities are taken out of loan at loan rates and assigned to me, then what I do with them after that is my own business. As they stated, I might feed the grain to my livestock or I might sell the grain and the cotton. In my case, I sold all of the wheat and the cotton on the open market.

As I stated before, being a very proud member and board member and vice-chairman of Calcot, I think it's such a superb marketing organization that they were able to achieve a substantially higher price for our PIK cotton than the loan rate. They patiently waited and marketed most of it the latter part of the marketing season at prices in the 65 to 70 cent area. I can't remember the precise average price per pound, but it was substantially more than the 55 cent loan rate, and generated in total for the wheat and cotton some $400,000 more than the loan rate value at the time of the determination of those pounds that were to be awarded to me.

Senator MELCHER. Did you mention an amount of $400,000?

Mr. NORTON. The difference between the $1,500,000 and the $1,900,000 something.

Senator MELCHER. $473,000 is the difference.

Mr. NORTON. Four hundred and some odd thousand.

Senator MELCHER. Isn't all that due to the increase in the price of cotton over and above the loan rate?

Mr. NORTON. The cotton was not selling at the loan rate even when the PIK Program started. The purpose of the PIK Program is twofold. One was to rid the Government of burdensome surpluses and the other was to raise the price to the farmers of these crops. You realize that when you raise the market price and you get closer to the target price, you remove the need for a deficiency payment to the farmer under the target price program, so the Govern-

ment wins part of this windfall in sales by reducing the need for a deficiency payment.

Senator MELCHER. There wasn't any increase in the value of the wheat? Is that your recollection?

Mr. NORTON. I got more than the basic loan rate for my wheat, but I can't break down that difference.

Senator MELCHER. The loan rate was $3.50 per bushel.

Mr. NORTON. We got more money than that for our wheat.

Senator MELCHER. Well, congratulations; most wheat farmers got a very little bit more.

Mr. NORTON. I don't think we got a lot more. I think you are right, sir, but we did get something more.

Senator MELCHER. Is it fair to say that almost all of this difference between $1.5 and $1.973 million was due to the increase in the price of the cotton?

Mr. NORTON. Yes, sir. The substantial portion of it was, yes, sir.

Senator MELCHER. I have to come back to this just to get your response. The 1983 PIK Program required the grower to plant a percentage of his crop.

Mr. NORTON. Yes, sir. You could apply to put all your land in the PIK Program and bid in against the other growers. The person who put in the bid that would cost the Government the least would be permitted to take all of his land out of production up to a certain level. I would have to review the exact details to remember precisely how the machinery of that worked at the time, but there was a bid basis. I did not take part in that. I took part in the PIK Program up to the limits without being involved in the additional bidding for participation.

Senator MELCHER. Did that mean that you retired your land? What did it mean in your case?

Mr. NORTON. It means that 50 percent of the acreage that I would have otherwise planted to cotton was idle and put to a conserving use.

Senator MELCHER. Did you plant 50 percent of your normal planting?

Mr. NORTON. Yes, sir.

Senator MELCHER. How much of that did you have to agree to turn over to CCC?

Mr. NORTON. I believe it was 40 percent of what I grew, if I remember correctly.

Senator MELCHER. You agreed to turn over 40 percent of what you grew to the CCC?

Mr. NORTON. Of what I produced, if I remember correctly, yes, sir.

Senator MELCHER. There is perhaps some reason to think that some growers who did not sell as you did on the rising market or wait for the market to get some perhaps 40 percent better than it had been above loan rate fared worse than you.

Mr. NORTON. Maybe 25 percent better. Whatever it was. Substantially more, yes.

Senator MELCHER. They would have to come up with about $400,000 more. On your PIK payment for wheat you got a PIK payment for almost $300,000 if you got more than $100,000 above that.

That represents about $4.30 per bushel of wheat. You did a marvelous job marketing.

Mr. NORTON. I think I got about that for my wheat.

Senator MELCHER. All right, that's $100,000. The difference is about another $400,000, so you got about $400,000 more for your cotton than what the loan rate was. That represents something in the neighborhood of 18 cents a pound.

Mr. NORTON. That would put it from 55 cents to 73 cents. It didn't seem like it was 73 cents. It seemed like it was 68 cents. But I tell you what I can do very easily, I can provide for you——

Senator MELCHER. I may be a little bit off on my arithmetic.

Mr. NORTON. But I can get the precise figures for you.

Senator MELCHER. Let's just use 70 cents.

Mr. NORTON. OK.

Senator MELCHER. So there could have been some reasonable feeling that the market was steadily going to rise until it was around 70 cents a pound. What would have been the soundest judgment anybody could make in view of the announcements by the Department, first of all, we are going to have to freeze what you got so don't sell any of it, and then a later announcement, perhaps sometime in early May, that there wasn't going to be enough cotton available for the Department of Agriculture so they would have to go out and procure some. It would be rational and reasonable for somebody to think that PIK wouldn't be necessary if the market was going to go up. I would think, and perhaps a lot of the growers thought, the demand isn't likely to be there or why would we have the PIK Program. There is some reason to follow their logic, is there not?

Mr. NORTON. It's pretty easy looking backward to——

Senator MELCHER. Their logic being that other people knew more than they knew.

Mr. NORTON. I didn't know more than they did. What I did, Senator, was believe that the PIK Program had a very excellent chance of working and accomplishing its stated goals. I believed that I should gamble in the marketplace that it did have a good chance of achieving its stated goals, which were twofold, to get rid of the surpluses and raise the prices to the producer, so I played it that way.

Senator MELCHER. Who makes those decisions? Does Calcot make the decision when to sell your cotton?

Mr. NORTON. You can do it two ways in Calcot, Senator. These two ways are the call program or the seasonal marketing program, and let me very briefly give you the difference. If I harvest my cotton in the fall I can sign up and put my cotton in the seasonal marketing program and Calcot will market it all during the coming year in a pool with all the other growers, and they will return to me the same average price for my middling sixteenths as every other grower gets for his middling sixteenth. Or I can elect to put my cotton in the call pool. When I do that I am permitted to fix the date of the price of my cotton against the New York cotton futures market for number two cotton at any given date. So if I want to play the market chronologically I can fix it in November, February, or March, and then my cotton will be all contracted against the average basis of the market against that fixed contract sale date. It's a little bit complicated but it gives the grower two

choices, either take the seasonal average, but if he thinks he can outsmart Calcot's marketing people and hit the better day of the year to sell he can do that. He can play it either way he wants to.

Senator MELCHER. Which way did you do it?

Mr. NORTON. I do a little of both. I put part of my cotton in the call pool and part in the seasonal pool. Eight of ten years Calcot will beat the growers in the seasonal pool. All the growers in Calcot collectively have never been able to beat the seasonal pool.

Senator MELCHER. Of course the allegations are that relevant times regarding the inside information about what the Department was doing were earlier in the year, much earlier. And those with the inside information were selling their PIK cotton before they even had the slip of paper giving them the title. Now, that just brings me back to one point then. Did you talk to Mr. Rank about this program?

Mr. NORTON. I don't believe I ever talked to Mr. Rank in calendar year 1983.

Senator MELCHER. I am going to get off of this PIK deal. I think you stated somewhere in here that you are a director of the Mountain States Legal Foundation.

Mr. NORTON. I was a member of the board of directors from May 1982 until August 1983.

Senator MELCHER. You are not active in it now. It led me to a point. I notice your rather varied activities and endeavors is quite substantial. Have you had some connection with forestry?

Mr. NORTON. Yes, sir, I have been a forest grazing permittee twice.

Senator MELCHER. The amount of the budget for USDA and the amount of personnel in the U.S. Forest Service is rather substantial. I have a real concern over the management of the Forest Service and forest plans during the time that you would be Deputy Secretary. Can you just very briefly tell me how you can contribute and what would be your attitude towards the Forest Service and our forest lands.

Mr. NORTON. The forest lands are a national treasure that we are charged with administering in the Department of Agriculture. I believe in the multiple use concept of forest lands. I believe we should harvest the product of the forests intelligently with a regard for conservation, recreation, water shed management, and other intelligent uses of this great resource. I understand that the Forest Service has something like 40,000 of the 109,000 employees in the Department of Agriculture, which is an immense body of personnel. I understand also that it's considered to be one of the better managed and better operated departments as far as its personnel management policies go. There may be people who disagree with that.

I understand also that the Forest Service and the Bureau of Land Management and the Department of Interior have been engaging in some preliminary discussions on possibly realigning some of the lands under the jurisdiction of those two agencies for the mutual benefit of each. I am sure that will involve a lot of political considerations in the States involved and shall need to be monitored very closely. That's a general response to your question. I don't know if I am really hitting what you are after here.

Senator MELCHER. You have touched on the key point, I think. The Forest Service has tried to be nonpolitical and I think by and large they have done a fairly decent job about that. The question I have is this, are you inclined to accept professional judgments of the Forest Service personnel?

Mr. NORTON. I believe that we have a lot of fine career people in the Department of Agriculture, including the U.S. Forest Service, and that a professional who gives his life and makes a career of serving his country in one of those capacities should be trusted and should be worked with and should be accepted, unless you have reason to believe otherwise about the man.

Senator MELCHER. The point that you mentioned that I want to delve into just slightly is the question of the land swaps between BLM and the Forest Service. I don't know what it involves in Arizona, do you know?

Mr. NORTON. Well, it involves both Forest Service and BLM land. We have a lot of both. Seventy-eight percent of the State of Arizona is either Federal land or Indian reservation.

We have a substantial body of both forest and BLM, yes, sir.

Senator MELCHER. Are you aware of whatever the proposal is in Arizona?

Mr. NORTON. I haven't seen the proposal yet, and really didn't want to. I would prefer to get through this confirmation and become the Deputy Secretary before I become politicized in the matter.

Senator MELCHER. About 30 percent of Montana is either BLM or forest land. The proposal is to swap almost everything that the Forest Service has east of the continental divide to BLM and almost everything BLM has west of the continental divide to the Forest Service.

Mr. NORTON. It's pretty severe.

Senator MELCHER. It's a rather gigantic swap. I have said that if that is to be contemplated it would be silly to pursue it now and spend money on it. It does involve a lot of money by the time they hold a series of hearings and put all the GS–12's to GS–15's to work on figuring out what they would exchange. It would be a waste of money to pursue it at this time. If there is a strong feeling that it ought to be pursued, then there ought to be something like the Public Land Law Review Commission in the sixties where the Commission was appointed by the President. After several years the Commission gave a series of recommendations to Congress. It took Congress another 7 or 8 years to respond to them. I just mention that now because I think that this is a waste of time and money to pursue the SWAP at this moment. I draw that to your attention not to try to get you to change the President's program but to perhaps provide some input if called upon to comment on it. The other subject I want to discuss with you very briefly deals with export. My colleagues have stressed the importance of trade policy and increased agricultural exports so I won't repeat it. I have a question, are you familiar with section 416 of the 1949 act?

Mr. NORTON. Well, what does it refer to? I don't know that number.

Senator MELCHER. Very briefly, section 416 is the trade or donation program in two commodities, dairy and wheat, where the ap-

plications can be made by either governments or private voluntary organizations. Most of them are made by private voluntary organizations, for donations of dairy products or wheat, but can be by governments for any combination, donation, barter, reduce price, terms, and conditions. It is very flexible. For those two commodities it has presented quite an opportunity with the maximum amount of flexibility.

The Department of Agriculture enters in as part of a group including AID, State Department and OMB that decides when applications are OK. They can therefore agree to them on behalf of our Government. Apparently you are not familiar with that particular section.

Mr. NORTON. Not that exact program, but I will take an early opportunity to familiarize myself with it.

Senator MELCHER. I only ask that you do. In familiarizing yourself with it note that no wheat has been moved under section 416 yet. So far no application has been approved that does include wheat. The dairy products section was added to the law in 1981. It sounds odd to amend something from 1949, but we are still amending the basic law. The dairy portion of it was enacted in 1981, and worked successfully through 1982 and 1983, and into the beginning of 1984. At that point we chose to broaden it for wheat and we also made it more flexible than it was before. That has been one of our contributions, speaking of this committee and Congress, to modify law. The point now is should more commodities be added to wheat and dairy? Is it a good enough program to add other commodities to it, such as corn, or soybean, or rice, or perhaps sorghum? I ask you to review that and make a judgment on it, because if we are going to do it I am sure that we are going to be depending upon advice from the Department on how they think it would operate and what their judgment would be on it.

Mr. NORTON. I have made a note on that and I will try to be able to respond intelligently to your questions.

Senator MELCHER. Thank you very much, Mr. Norton, and good luck to you.

The CHAIRMAN. Well, you have been very exhaustive in your questions and I think you served a very useful purpose, Senator. Mr. Nominee, you have been very patient. I also thank the gentlemen from IG and the USDA. There being no further business to come before the committee, we stand adjourned.

[Whereupon, at 5:20 p.m., the committee adjourned, subject to the call of the Chair.]

COMMITTEE NOTE:

April 4, 1985.—The nomination of John R. Norton III was reported to the Senate.
May 15, 1985.—The nominee was confirmed by the Senate.

APPENDIX

Statement of Hon. Alan J. Dixon, a U.S. Senator From Illinois

Mr. Chairman, I would like to take this opportunity to also welcome John Norton to the Senate Agriculture Committee.

For the record, I would like to thank my good friend from Arizona, Senator DeConcini, for bringing Mr. Norton by my office recently to introduce him. I appreciated the opportunity to get to know Mr. Norton before a formal hearing was called.

And, Mr. Chairman, I would like my colleagues on the Senate Agriculture Committee to know that I support the confirmation of John Norton as Deputy Secretary of Agriculture.

Thank you, Mr. Chairman.

Statement of Hon. Dennis DeConcini, a U.S. Senator From Arizona

Mr. Chairman and Members of the Committee: I am pleased to be here this afternoon to introduce to you John Norton, the President's nominee for the position of Deputy Secretary of Agriculture. I applaud the Administration for this selection and hope that the Committee will favorably report the nomination.

The Norton family have been friends of my wife's family, the Hurleys, since long before Arizona became a State. The Norton family have been residents of Arizona since Territorial days, and have been engaged in agriculture for four generations. To put the Norton family in some historical perspective, it was John's grandfather who, in 1904, took a trip up the Salt River with Teddy Rooseverlt on mules and with buckboards to select the site for the Roosevelt Dam. This was the beginning of the Salt River Project, without which Arizona would never have become a major agricultural state. The Project provides electricity to approximately 345,000 residential, commercial and agricultural power users in three Arizona counties, and operates and maintains the system that provides water for agricultural, domestic and industrial uses in the Projects 250,000 acre service area.

John is more than familiar with the problems farmers face today. He is a graduate of the University of Arizona's School of Agriculture and has practical experience in the field as President and CEO of J. R. Norton Company which farms over 25,000 acres in Arizona and California. He is also past Chairman of the United Fresh Fruit and Vegetable Association which is illustrative of the confidence his colleagues in the industry have in him. In addition John and his wife, Doris, have devoted their time and efforts to numerous civic and charitable causes in Arizona, the West and nationwide.

Mr. Chairman, I support John Norton's nomination for deputy Secretary of Agriculture without reservation, and urge the Committee to move swiftly toward confirmation.

Statement of Hon. Eldon Rudd, a Representative in Congress From the Fourth District of Arizona

Mr. Chairman, it gives me great pleasure to appear today before this distinguished committee in support of Mr. John R. Norton III, and to recommend that he be confirmed as Deputy Secretary of Agriculture.

Mr. Norton has distinguished himself as an outstanding member of the agricultural community for many years. Most recently, he was named "Produce Man of the Year for 1983" by Packer, a national agribusiness newspaper. As a third generation farmer, he began his own company back in 1955, after graduating from the University of Arizona College of Agriculture and then serving two years in the

United States Air Force. Through his dedicated efforts and endless hours of hard work, he has nurtured a major diversified crop production operation in Arizona and California which produces: Lettuce, cotton, strawberries, wheat, citrus, onions, garlic, alfalfa, broccoli, cauliflower, carrots and asparagus. Mr. Norton is also a partner in successful cattle ranching endeavors in Colorado, Oregon, Minnesota and other States.

His success can be directly attributed to his thorough understanding of agricultural issues and the marketplace, his unquestioned business integrity, and his acute managerial and administrative skills.

Mr. Norton has served as chairman of the S.A.F.E. Committee, an ad hoc, nonpartisan group of Arizona community leaders which organized under my direction to assess water needs and to explore possibilities for future water augmentation in the Phoenix metropolitan area. He has been a director and past chairman of the United Fresh Fruit and Vegetable Association. Among his various other memberships, directorships, and service, are: The Central Arizona Project Association, the Western Growers' Association, the U.S. Meat Export Federation, President Reagan's Agricultural Task Force Committee, the Arizona Agricultural Employment Relations Board, Ramada Inns, Incorporated—board of directors, United Bancorp of Arizona—board of directors, Turf Paradise, Incorporated—board of directors, and the Phoenix Metropolitan Chamber of Commerce.

Regardless of how difficult a challenge may be, Mr. Norton has repeatedly proved himself equal to the task.

A biographical sketch of this outstanding nominee is provided for your perusal, and I submit a copy for the record.[1]

I respectfully request favorable consideration of this fine American as Deputy Secretary of Agriculture.

Thank you, Mr. Chairman, for this opportunity.

CONGRESS OF THE UNITED STATES,
HOUSE OF REPRESENTATIVES,
Washington, DC, March 20, 1985.

Senator JESSE HELMS,
Chairman, Committee on Agriculture, Nutrition, and Forestry, Russell Senate Office Building, Washington, DC.

DEAR MR. CHAIRMAN: As your Committee begins its hearings on the confirmation of John Norton as Deputy Secretary of the Department of Agriculture, I would like to express my strongest support for the President's nomination.

John Norton, who I have known both personally and professionally for some time, is a highly respected member of Arizona's agri-business community. He has a working knowledge of agriculture, complimented by many years of business experience, and is well-versed in the importance of agriculture in our economy. John is a leader in our State who, through his business success and involvement in activities and issues beyond agriculture, has a proven record as a sound decisionmaker and a reputation of the highest caliber.

The agriculture community in this country would be well-served by John Norton, and I have no hesitation in highly recommending him to you.

Best wishes.

Sincerely,

BOB STUMP, *Member of Congress.*

STATEMENT OF JOHN DERDIVANIS, CHAIRMAN OF THE BOARD, UNITED FRESH FRUIT & VEGETABLE ASSOCIATION

Mr. Chairman, members of the committee, I am John Derdivanis, chairman of the United Fresh Fruit and Vegetable Association, Alexandria, Virginia, testifying today in support of the nomination of John R. Norton III as Deputy Secretary of the Department of Agriculture.

The United Fresh Fruit and Vegetable Association is the national trade association representing the fresh produce industry. The membership of the association comprises all factors in the industry, including growers, shippers, wholesalers, retailers, and suppliers to the fresh produce industry. United members handle over 80 percent of the fresh fruits and vegetables commercially marketed in this country.

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[1] Reprinted on p. 90.

I am not only chairman of the United, but I am also a grower, packer and shipper of lettuce from California and Arizona. I have had the privilege and the honor to have known John Norton for over 30 years. In fact, he, too, has farming operations in California and Arizona.

I have worked closely with him in many produce industry organizations, including the United. John Norton was a director of the association for three years and was an outstanding chairman of the board from 1982 to 1983. He also has provided valuable guidance as a member of United's Government Relations Committee.

John Norton has had numerous achievements in his lifetime, but one recent accomplishment stands out as being an excellent demonstration of his leadership abilities and his concern for the produce industry which has been an important part of his life.

John Norton expended tremendous personal effort to develop a trust protection plan for the produce industry which has, in its short life, to date, saved numerous produce sellers untold thousands of dollars. John Norton perceived a need and acted accordingly to eliminate the devastating losses suffered by the produce industry in bankruptcy and slow pay situations.

John Norton worked with all segments of the industry and the banking community in the development of a legislative and regulatory framework to address this critical problem. A true coalition was formed.

Through his tireless efforts and those of the chairman and other members of this committee, the resulting law and regulations were implemented in record time. As a result, the payment practices of the industry have dramatically improved in a period of just three months.

In 1983, John Norton was awarded the highest honor that one in the produce industry can achieve. We was named "Produce Man of the Year." In awarding this honor, Paul Campbell, editor of the Packer, an industry trade publication, said that the manner in which John Norton conducts himself is best illustrated in Mr. Norton's own words: "We must not be indecisive, lest we risk being ineffectual." A philosophy he lives by everyday.

While the produce industry and United will be losing the day-to-day benefit of his wisdom, guidance and leadership, we are more keenly aware that his move to the public sector is a transition that will provide enormous gain for the Nation and for the entire agricultural community. We look forward to working with him in his new role. We are confident that John Norton will serve this country well as Deputy Secretary of Agriculture.

Thank you, Mr. Chairman, for this opportunity to testify.

OFFICE OF PERSONNEL MANAGEMENT,
OFFICE OF GOVERNMENT ETHICS,
Washington, DC, March 14, 1985.

Hon. JESSE A. HELMS,
Chairman, Committee on Agriculture, Nutrition and Forestry, U.S. Senate, Washington, DC.

DEAR MR. CHAIRMAN: In accordance with the Ethics in Government Act of 1978, I enclose a copy of the financial disclosure report filed by John R. Norton, III, who has been nominated by President Reagan for the position of Deputy Secretary of the Department of Agriculture.

We have reviewed the report and have also obtained advice from USDA concerning any possible conflict in light of the Department's functions and the nominee's proposed duties. Mr. Norton has disclosed on the report interests in a number of agricultural endeavors which may be affected by USDA. He has described many of these interests in further detail in a letter to this Office, and has set forth the steps he intends to take in order to assure that no actual or apparent conflict will occur as a result of actions he will take as Deputy Secretary. Further, it is our understanding that Secretary Block is prepared to issue Mr. Norton a waiver under 18 U.S.C. 208(b)(1) so that he might participate in general policy matters which may affect a whole industry in which he may have an interest so long as the action does not involve one of the matters in which Mr. Norton agreed in this letter not to participate. A copy of his letter to our Office has been attached to his public financial disclosure report and is a part of the enclosure with this letter.

Mr. Norton has also reported that he is the trustee of four trusts. It is our understanding that he has disclosed the assets of these trusts to the White House Counsel's Office and has received the appropriate conflict of interest counseling with regard to these trusts.

Based upon these representations, we believe Mr. Norton is in compliance with applicable laws and regulations governing conflicts of interest.

Sincerely,

DAVID H. MARTIN, *Director.*

Enclosure.

J.R. NORTON CO.,
Phoenix, AZ, March 6, 1985.

Hon. DAVID H. MARTIN,
Director, Office of Government Ethics,
1900 E Street NW., Washington, DC.

DEAR MR. MARTIN: The purpose of this letter is to describe the steps which I intend to take in order to assure that no actual or apparent conflict of interest will exist between my personal financial interests and the duties I will perform if I am confirmed to serve as Deputy Secretary of Agriculture.

I am presently the President, Chairman of the Board of Directors, Chief Executive Officer and majority stockholder of the J. R. Norton Company, an Arizona corporation headquartered in Phoenix, Arizona. The J. R. Norton Company is engaged in farming operations on approximately 17,000 irrigated acres in Fresno, Imperial, Monterey, and Riverside Counties in California and in Pinal County, Arizona. The crops produced on these lands include cotton, wheat, alfalfa, iceberg lettuce, and other vegetable and row crops.

In addition, the J. R. Norton Company owns 100% of the stock of The Grain Company, a California corporation producing iceberg lettuce, celery, asparagus, and cauliflower on approximately 5,500 acres in Monterey, Fresno, and Riverside Counties, California, and in LaPaz County, Arizona. The J. R. Norton Company also owns 100% of the stock of Supreme Berries, Inc., an Arizona corporation which produces strawberries on approximately 240 acres also located in Monterey County, California.

The J. R. Norton Company likewise owns approximately an 80% interest in San Tan Ranches, an Arizona joint venture, and operates the ranch known as San Tan Ranches, which produces cotton, wheat, and iceberg lettuce on approximately 4,000 acres of irrigated land leased from the Gila River Indian Community in Pinal County, Arizona.

In order to avoid any actual or apparent conflict of interest in connection with my ownership interests in these farming operations, I have agreed (1) to resign as President, Chairman, and Chief Executive Officer of the J. R. Norton Company, as a Director of The Garin Company, and as a Director of Supreme Berries, Inc.; (2) to abstain from any management role in connection with any of these farming enterprises; and (3) to forego receipt of any salary or other compensation from these farming operations during my tenure as Deputy Secretary of Agriculture. In addition, I pledge that none of the farming entities or operations described above will participate in any USDA farm price support or lending programs during my tenure as Deputy Secretary of Agriculture.

The J.R. Norton Company also owns a 25% interest in Mohave Farms, an Arizona farming partnership producing cotton and grain on approximately 4,000 acres of land leased from the Mohave Indian Community and located in Mohave County, Arizona. The partners in Mohave Farms have in past years participated in USDA's deficiency payment and price support loan programs for cotton and grain. Beginning in 1985, and during my tenure as Deputy Secretary, I pledge that the J.R. Norton Company will not enroll or participate in the deficiency payment or any other USDA price support program with respect to its 25% share of the Mohave Farms cotton or grain production. Further, since Mohave's cotton production is marketed through Calcot, Ltd., a California marketing cooperative, Calcot will be instructed that, for 1985 and during my service as Deputy Secretary, 25% of Mohave's cotton production will not be placed under loan through USDA's Commodity Credit Corporation, but will be financed through loans from private lenders. I believe that these steps should serve to ensure that no conflict of interest will arise as a result of Mohave's continued enrollment in these USDA programs during my service as Deputy Secretary, notwithstanding J.R. Norton Company's continued ownership interest in the partnership. However, should any unforeseen derivative financial interest or benefit be deemed to have accrued to the J.R. Norton Company as a result of Mohave's continued enrollment in USDA's price support programs for 75% of Mohave's cotton and grain production in any crop year during my period of service as Deputy Secretary, I pledge that any such amount will be promptly remitted to the Commodity Credit Corporation or to the United States Treasury, as appropriate.

I also own a 50% interest in the Spence and Norton partnership, which operates a cattle ranch of approximately 8,600 acres in Merced County, California. The partnership owns and pastures approximately 3,000 head of cattle on the ranch, and provides pasture as well for cattle owned by others. In addition, the partnership has leased pasture for an additional 1,000 head on the Denny Ranch located in parts of Mohave, Yavapai, and Coconino Counties, Arizona. The partnership occupies no Federal land, and has no ownership interest in any feedlot or meatpacking operation.

As the owner or part owner of a number of parcels of farm land leased to and operated by the J.R. Norton Company, as well as land leased to the Spence and Norton partnership, I receive my proportionate share of the annual cash rentals for these lands. The lands involved are located in Imperial, Merced, and Riverside Counties in California. During my tenure as Deputy Secretary of Agriculture, payment for the rental of these lands will continue to be in the form of cash payments established on a per acre basis without consideration of the market conditions for any crops grown or livestock raised on the lands. I will continue to share in the rental income from these lands in proportion to my ownership interests.

As stated above, I pledge to resign my positions and to withdraw from all management responsibilities in connection with all of the farming and ranching operations described above, and in connection with all other business interests with which I am involved. In addition, since I will continue to hold ownership interests in the described operations, I pledge to recuse myself from participation in any and all particular matters which may arise within the Department of Agriculture concerning farming or ranching operations in the California and Arizona counties where these farming and ranching interests are located. These counties include Fresno, Imperial, Merced, Monterey, and Riverside Counties in California, as well as LaPaz, Mohave, and Pinal Counties in Arizona.

I have served since 1976 as a Director, and currently serve also as Vice-Chairman, of Calcot, Ltd., a California-based cotton marketing cooperative through which all cotton produced on the above-described farm entities is marketed. I have also served since 1972 as a Director and past Chairman of the Western Growers Association headquartered in Irvine, California. In addition, I have served from 1978 until 1981 as a Director and from 1982 until 1983 as Chairman of the United Fresh Fruit and Vegetable Association whose offices are located in Alexandria, Virginia. I intend to resign from the positions I currently hold with these organizations upon my confirmation as Deputy Secretary of Agriculture. Since my farming operations will continue to be involved with these organizations during my service as Deputy Secretary, I also pledge to recuse myself from participation in any particular matter which may arise within the Department of Agriculture during my tenure as Deputy Secretary involving Calcot, Ltd., the Western Growers Association, or the United Fresh Fruit and Vegetable Association.

I currently serve as well as a Director of Ramada Inns, Inc., the Arizona Public Service Company, Turf Paradise, Inc., and the United Bancorp of Arizona, and as an officer or director of a number of other business, civic, and social organizations all of which are listed in Schedule D of the Financial Disclosure Report which I have filed. I have agreed to resign from all of these positions upon my confirmation as Deputy Secretary, except that I intend to remain as a Director of the Chief Executives Organization, an association of business executives which has no relationship with the programs or activities of USDA.

A portion of the fruit and vegetable crops produced by the J.R. Norton Company and its subsidiaries is graded by employees of USDA's Agricultural Marketing Service (AMS) under the voluntary grading provisions of the Agricultural Marketing Act of 1946. Additionally, both the J.R. Norton Company and its subsidiary, The Garin Company, are licensed as brokers, dealers, and commission merchants under the terms of the Perishable Agricultural Commodities Act (PACA) also administered by the AMS. In order to avoid any actual or apparent conflict of interest between my personal financial interests and my duties as Deputy Secretary, I will recuse myself from involvement in any and all particular matters which may have a direct and predictable effect upon the J.R. Norton Company or its subsidiaries arising within the Department under either the fruit and vegetable grading programs administered by AMS or under the PACA.

Finally, I serve as Trustee under the terms of three Norton family trusts. These include the John R. Norton, Jr. Living Trust dated July 9, 1982, the John R. Norton, Jr. Irrevocable Trust dated July 9, 1982, and the Earlene P. Norton Testimentary Trust. These trusts hold interests in many of the same lands, agricultural enterprises, business interests, and marketable securities in which I also hold interests, but I am neither a principal nor a residual beneficiary under the terms of any of

the three trusts. I have agreed to forego receipt of the Trustee's fee which I have been receiving annually in return for my service as Trustee of the John R. Norton, Jr. Living Trust dated July 9, 1982, but I intend to continue during my service as Deputy Secretary to serve as Trustee under each of the named trusts. In addition, I serve as Co-Trustee under the Retirement Trust for the employees of the J. R. Norton Company, and have agreed to resign my position as Co-Trustee upon my confirmation as Deputy Secretary.

I believe that I have disclosed all material financial interests which I own as required by law. I also believe that the steps which I have agreed to take, as described above, will ensure that no actual or apparent conflict of interest will arise, should I be confirmed, between my personal financial interests and the duties I will perform as Deputy Secretary of Agriculture.

Sincerely,

JOHN R. NORTON III.

PHOENIX, AZ, *March 25, 1985.*

Hon. JESSE A. HELMS,
Chairman, Committee on Agriculture, Nutrition, and Forestry, U.S. Senate, Washington, DC.

DEAR MR. CHAIRMAN: As you know, I have filed my SF 278, Financial Disclosure Report, required in connection with my nomination to serve as Deputy Secretary of Agriculture. That report was dated March 6, 1985, and contained information for calendar year 1984 and for calendar year 1985 through that date. As required by the Ethics in Government Act of 1978, I also provided to you a letter dated March 15, 1985, updating certain income and honoraria information, as required, through March 15—the date five days prior to the hearing on my nomination initially scheduled to be held on Wednesday, March 20, 1985.

Since that hearing was not held, and the hearing on my nomination has now been re-scheduled for Wednesday, March 27, 1985, I believe the law requires that I again update those same categories of information—i.e., that required by section 202(a)(1)(A) of the Act, respecting income (other than dividends, interest, rents, and capital gains) and honoraria. With the exception of a director's fee of $1,500 received on March 21, 1985, from the Arizona Public Service Company, as of Friday, March 22, 1985. I have received no income or honoraria in addition to those categories and amounts of income reflected on my Financial Disclosure Report as dated and filed on March 6, 1985. Again, I believe this letter satisfies the additional reporting requirements contained in the Ethics in Government Act.

Sincerely,

JOHN R. NORTON III.

BIOGRAPHICAL DATA—JOHN R. NORTON III

Birthplace: Phoenix, Arizona. April 10, 1929.

Education: Stanford University, 1946–47, University of Arizona, B.S. in Agriculture, 1950, Member of Alpha Zeta, national agricultural honorary fraternity.

Military: U.S. Air Force, 1953–55, 1st Lt.

Residence: Blythe, California, 1955–72, Phoenix, Arizona, 1972–present.

Business: President, and CEO of the J.R. Norton Company, Phoenix, Arizona.

Business Background: Founded own company in Blythe, California in 1955 and engaged in agricultural production. The company now operates in California, Arizona and Nevada. Home office is in Phoenix with branches in Blythe, Brawley and Salinas, California. J.R. Norton Company is involved in diversified crop production, including year-round production of lettuce and seasonal production of strawberries, cantaloupes, honeydews, citrus, broccoli, celery, cauliflower, carrots, asparagus, cotton, wheat, alfalfa and others.

Business and civic memberships: Director and Past Chairman, United Fresh Fruit and Vegetables Association; Director and member of executive committee, Ramada Inns, Inc.; Director, Arizona Public Service; Director, United Bancorp of Arizona; Director and Vice President, Turf Paradise, Inc.; Director and Vice Chairman, Calcot, Ltd.; Director and Chairman, Modern Ginning Co.; Director and member of executive committee of the Central Arizona Project Association; Director and Past Chairman, Western Growers Association; Member and Director, Chief Executives Organization; Chairman, Secure Arizona's Future Economy; Member, board of governors, The Plaza Club; Member, Phoenix 40; Co-chairman, Citizens for America; Director, Phoenix Metropolitan Chamber of Commerce; and Member of Board, Council for National Policy.

Honors and awards: Distinguished Citizen Award by University of Arizona Alumni Association, 1981; Produce Man of the Year, 1933; and Entrepreneurial Fellow at the Karl Eller Center for the Study of Private Market Economy, College of Business, University of Arizona, 1984.

Previous membership and affiliations: Member, Salt-Gila Flood Control Advisory Commission; Arizona Agricultural Employment Relations Board; Board of Trustees, Palo Verde Irrigation District, 1957–72; Board of Directors, Western Farm Management Company; State Chairman, Farmers for Ford Committee, 1976; Board of Directors, AZL Resources, Inc.; Board of Associates, Smithsonian Institution; Member, President Reagan's Agricultural Task Force Committee, 1980–81; Board of Directors, U.S. Meat Export Federation; Board of Directors, California Cattle Feeders Assn.; Member and Chapter Chairman, Young Presidents' Organization; Director, Mountain States Legal Foundation; Director, Arizona Museum of Science & Technology; and Trustee, Heard Museum.

Mr. Norton and his wife, Doris, have three children—Michael, John and Melanie. The Nortons are members of the United Church of Christ.

NORTHWEST HORTICULTURAL COUNCIL,
Yakima, WA, March 18, 1985.

Hon. JESSE HELMS,
Chairman, Senate Agriculture, Nutrition and Forestry Committee, Russell Office Building, Washington, DC.

DEAR SENATOR HELMS: The Northwest Horticultural Council supports the nomination of John R. Norton to the position of Deputy Secretary of Agriculture.

The Northwest Horticultural Council represents, through its member associations, the growers and shippers of apples, pears and cherries in Oregon and Washington.

Mr. Norton is well qualified for this important post in the Department of Agriculture. Through his own farming experience, he has first hand knowledge of the problems and opportunities facing the U.S. agricultural producer. His intelligence and leadership are well known to the members of our industry who have worked with him on several national agricultural committees. While he is not from our area of the country, we are enthusiastic supporters of his nomination. He is an excellent choice to become Deputy Secretary and should be confirmed without hesitation by your committee and, subsequently, by the full Senate.

Sincerely yours,

CHRISTIAN E. SCHLECT, *President.*

IMPERIAL VALLEY VEGETABLE GROWERS ASSOCIATION,
El Centro, CA, March 19, 1985.

Hon. JESSE HELMS,
Chairman, Senate Agriculture, Nutrition and Forestry Committee, Washington, DC.

The Imperial Valley Vegetable Growers Association representing Imperial Counties $275 million vegetable industry urges the confirmation of J.R. Norton as Deputy Secretary of Agriculture.

ROD REYNOLDS.

WESTERN GROWERS ASSOCIATION,
Irvine, CA, March 18, 1985.

Hon. JESSE HELMS,
Senate Agriculture Committee,
Washington, DC.

DEAR MR. CHAIRMAN: On behalf of Western Growers Association representing our 2400 grower-shipper members of fresh produce and citrus in California and Arizona, we strongly support and endorse that John R. Norton III be given every consideration as Deputy Secretary of Agriculture.

Mr. Norton is a strong supporter of the ideas of market oriented agriculture and fair trade policies. His association with the fresh vegetable industry has exemplified his ability to succeed in a highly competitive industry. In addition, John Norton's farming experience in cotton, wheat, alfalfa and cattle production will compliment his role as Deputy Secretary.

Western Growers Association respectfully requests that John R. Norton be recommended by the Senate Agriculture Committee and confirmed by the Senate.

Sincerely,

DARYL ARNOLD, *President.*

DOUBLETREE.
Phoenix, AZ, March 15, 1985.

Hon. JESSE HELMS,
U.S. Senate, Dirksen Senate Office Building, Washington, DC.

DEAR SENATOR HELMS: I am writing to urge your support for the confirmation of John R. Norton as Departy Secretary of Agriculture. John has been a close friend and business associate for some twelve years and enjoys impeccable credentials. He is knowledgeable (particularly with respect to agricultural matters), fair, dynamic, a good manager, and a sedulous worker.

The government is fortunate that John is willing to serve, and I hope he will gain your positive vote.

Very truly yours,

G. PETER BIDSTRUP,
Chairman and Chief Executive Officer.

FLORIDA FRUIT & VEGETABLE ASSOCIATION,
March 15, 1985.

Hon. JESSE HELMS,
Chairman, Senate Agriculture, Nutrition and Forestry Committee, Washington, DC.

DEAR SENATOR HELMS. It is understood your Senate Agriculture Committee has tentatively set the confirmation hearings for John R. Norton to become Deputy Secretary of Agriculture for March 20th.

Many of the members of this association, which represents a substantial portion of the production of vegetables, citrus, tropical fruit and sugar cane in Florida, have known and respected John Norton for years. We feel you could not confirm a better man to be Deputy Secretary of Agriculture and the members of this Association fully back him for that position.

Sincerely,

GEORGE F. SORN,
Executive Vice President.

DONALD LERCH & CO., INC.,
Washington, DC, February 11, 1985.

Hon. JESSE HELMS,
U.S. Senate, Dirksen Senate Office Building, Washington, DC.

DEAR SENATOR HELMS: It is a pleasure to support the nomination of John R. Norton III for the post of the Deputy Secretary of Agriculture. As a member of the Republican Inner Circle, I believe his successful career and broad knowledge of agriculture qualify him for this position. All of the reports I have heard about Mr. Norton are highly favorable and supportive, particularly that of Bernard Emming, President of the United Fresh Fruit and Vegetable Association—a man I have long known and whose judgment I thoroughly respect.

Meanwhile all best wishes to you as you set forth on the crucial and all important development of new farm legislation.

With all best wishes.

Very truly yours,

DON LERCH.

ARIZONA STATE SENATE,
Phoenix, AZ, March 7, 1985.

Hon. JESSE HELMS,
Chairman of Agriculture, Nutrition and Forestry Committee, Russell Building, Washington, DC.

DEAR SENATOR HELMS: I would like to express my pleasure on the nomination of Mr. John R. Norton, III by President Reagan as Assistant Secretary of Agriculture.

Mr. Norton is probably one of the most qualified men available for this position due to his extensive experience in a very broad spectrum of the agricultural economy. This experience covers cattle ranching to vegetable production over the 38 years that we have been friends. As a lifelong Arizona cattleman, I am happy that someone with basic knowledge of my industry is honored with this appointment.

Philosophically, Mr. Norton has worked closely with me in recent months as district chairmen of Citizens for America in our respective congressional districts.

If I can be of further assistance in providing any other information on the excellent qualifications of Mr. John Norton, please contact me.

Sincerely,

JOHN HAYS, *State Senator.*

ARIZONA STATE SENATE,
Phoenix, AZ, March 6, 1985.

Hon. JESSE HELMS,
Chairman, Agriculture, Nutrition and Forestry, Russell Building, Washington, DC.

DEAR SENATOR HELMS: Just a word of commendation comes to you in behalf of John Norton III, recently selected by President Reagan as Assistant Secretary of Agriculture.

Mr. Norton is a true-blue citizen who has served in many demanding capacities with distinction. He has an excellent background in the workings of both government and business. He is a man of exceptional industry and intelligence. John also has the ability to make hard decisions, without procrastination, when necessary. His good judgment comes from a combination of education and experience that makes him an excellent candidate for this position.

I offer my full support and hope you will confirm him soon so he can go to work.

Sincerely yours,

STAN TURLEY,
President of the Senate.

NATIONAL COTTON COUNCIL OF AMERICA,
Washington, DC, March 25, 1985.

Hon. JESSE HELMS,
U.S. Senate, Dirksen Senate Office Building, Washington, DC.

DEAR SENATOR HELMS: As you know, President Reagan has nominated Mr. John Norton of Phoenix as Deputy Secretary of Agriculture. Mr. Norton has been involved in the cotton industry for a number of years, and we believe him to be a highly capable man of integrity. He has the full support of our industry.

Mr. Norton has been criticized by some for his participation in the PIK program in 1983. The PIK program was designed specifically to include the commercial growers because they account for a large proportion of the cotton crop. (Farms with 1,000 acres of cotton and up accounted for 33% of 1982 production.) There was no way without participation of the larger growers to bring the cotton carry-over back to a reasonable level. PIK was effective—with some assistance from weather—in reducing the carry-over from 7.9 million bales to 2.8 million, and in raising the average farm price 7 cents per pound from the previous season.

The program worked because most large growers like Mr. Norton *did* participate. Indeed, he likely would have been criticized in 1983 if he had *not* complied with the program.

We need individuals in government with the knowledge and skills reflected by Mr. Norton, and we respectfully urge your support for his confirmation.

Sincerely,

SAMUEL HOLLIS, *President.*

PHOENIX, AZ, *April 28, 1985.*

Hon. JESSE HELMS,
Chairman, Senate Committee on Agriculture,
Washington, DC.

DEAR SENATOR HELMS: Just a note to express my personal opinion and let you know that I consider John Norton the most capable man to hold the position of Deputy Secretary of Agriculture.

I am sure he will be a tremendous asset for President Reagan's policies, especially in Central America.

Sincerely,

CONSTANTINO NOVOA.

ARIZONA FARM BUREAU FEDERATION,
Phoenix, AZ, March 26, 1985.

Hon. JESSE HELMS,
U.S. Senate,
Washington, DC.

DEAR SENATOR HELMS: Farmers and ranchers across Arizona want you to know that they strongly support John Norton III for the position of deputy secretary of agriculture. Mr. Norton has a reputation of strong public service on behalf of agriculture in Arizona.

We think you will find him an able servant for agriculture and related national policies.

If we can provide further information, please feel free to call upon us.

Sincerely,

CECIL H. MILLER, Jr., *President.*

ARIZONA COTTON GROWERS ASSOCIATION,
Phoenix, AZ, March 22, 1985.

Senator JESSE HELMS,
Chairman, Senate Agriculture, Nutrition, and Forestry Committee, Washington, DC.

DEAR MR. CHAIRMAN: On behalf of the Arizona Cotton Growers Association, I am writing in support of the nomination of John Norton to be USDA Under-Secretary.

Because of Mr. Norton's long association with the Arizona cotton industry, we regard his appointment as an exceptionally good one.

Mr. Norton's background and farming success are testaments not only to his abilities, but to the concepts of market oriented farm policies. If we are to move in the direction of even greater market orientation balanced by the need for some form of appropriate price protection, then John Norton is clearly qualified by his own experience and his philosophy to provide the necessary leadership to achieve those goals.

We wholeheartedly endorse his nomination without reservation as being not only good for American agriculture, but the Country as well.

Sincerely,

LEYTON WOOLF, *President.*

NORTH CAROLINA COTTON PROMOTION ASSOCIATION,
Raleigh, NC, March 25, 1985.

Senator JESSE HELMS,
Washington, DC.

We urge your support of John Norton as Deputy Secretary of Agriculture.

Sincerely,

JOHN G. BALFOUR, *President.*

SOUTHERN COTTON GROWERS, INC.,
Scotland Neck, NC, March 26, 1985.

Senator JESSE HELMS,
Washington, DC.

DEAR SENATOR HELMS: Urge confirmation of John Norton as Deputy Secretary of Agriculture Wednesday, March 27, 1985. Qualified as both farmer and businessman.

Thank you.

W.L. "BILLY" CARTER, Jr.,
Vice President.

WEST MEXICO VEGETABLE DISTRIBUTORS ASSOCIATION,
Nogales, AZ, March 23, 1985.

Subject: Endorsement of John Norton nomination.

Hon. JESSE HELMS,
Chairman, Committee on Agriculture, Nutrition, and Forestry, Russell Senate Office Building, Washington, DC.

DEAR SENATOR HELMS: The Board of Directors of West Mexico Vegetable Distributors Association of Nogales, Arizona, which is comprised of nearly 100 American Businessmen that are involved in the importation and distribution of fresh winter vegetables from the West Coast of Mexico, is both proud and honored to endorse and support the nomination of Mr. John R. Norton, to be the next Deputy Secretary of Agriculture.

Mr. Norton is familiar to us as the former Chairman of the United Fresh Fruit and Vegetable Association and also as the man instrumental in having enacted the Trust Provisions of the Perishable Agricultural Commodities Act, without which the fresh produce industry could not survive. We also know Mr. Norton as an active Arizona native who has been an enthusiastic participant in State, local and community activities and functions.

The Board and the members of the Association have high regard for Mr. Norton, and believe that he is eminently qualified to be Deputy Secretary. We recommend and endorse him for the position, and urge Senate to expeditiously confirm his nomination.

Respectfully yours,

GEORGE H. URIBE,
Executive Vice President.

CASPER, WY, *April 19, 1985.*

Hon. JESSE HELMS,
Chairman, Senate Committee on Agriculture,
Washington, DC.

DEAR SENATOR HELMS: Mr. John Norton of Phoenix, Arizona has been nominated to the position of Deputy Secretary of Agriculture.

Your help and support in the confirmation proceedings for Mr. Norton to this position will be greatly appreciated.

Most sincerely,

H.A. TRUE, Jr.

CALCOT, LTD.,
Bakersfield, CA, March 22, 1985.

Hon. JESSE HELMS,
Dirksen Building,
Washington, DC.

DEAR SENATOR HELMS: It is our understanding that the schedule for concluding the Senate confirmation process for John R. Norton as Deputy Secretary of Agriculture is eminent. On behalf of Calcot, Ltd. and its membership of some 3,500 cotton growers in California and Arizona, we urge your support for Mr. Norton. It would be especially appreciated if you could help by contacting your colleagues regarding Mr. Norton and encouraging their active support.

John Norton has served as a member, director, and vice chairman of Calcot, Ltd., and in many other leadership positions including president of Western Growers Association. He has always fully supported the Administration and its policies and certainly is an outstanding choice by President Reagan for the position.

Mr. Norton is an extremely accomplished businessman and grower with operations in both California and Arizona. In addition to political acumen and a pragmatic approach to problem solving, he has the energy and drive to represent agriculture during a time of change.

Thank you for your consideration. If we can answer any specific questions regarding Mr. Norton, please call.

Sincerely,

TOM W. SMITH.

WENATCHEE VALLEY TRAFFIC ASSOCIATION,
Wenatchee, WA, March 25, 1985.

Hon. JESSE HELMS,
Chairman, Senate Agriculture, Nutrition, and Forestry Committee, Russell Office Building, Washington, DC.

DEAR SENATOR HELMS: The Wenatchee Valley Traffic Association supports the nomination of John Norton as Deputy Secretary of Agriculture.

Our Association represents the packers and shippers of apples, pears and cherries in North Central Washington.

Several of our Association members, including myself, have had the pleasure of working with Mr. Norton on agricultural committees of national agriculture associations and we enthusiastically recommend his confirmation.

Sincerely,

W.W. DEWITT, *Secretary-Manager.*

AMERICAN COTTON SHIPPERS ASSOCIATION,
Washington, DC, April 1, 1985.

Hon. JESSE A. HELMS,
Chairman, Committee on Agriculture, Nutrition, and Forestry, Russell Building, Washington, DC.

DEAR CHAIRMAN HELMS: During the Committee's confirmation hearing on Deputy Secretary of Agriculture designate, John Norton, on March 27, my name and that of the American Cotton Shippers Association was mentioned and witnesses from the Department of Agriculture were questioned about our involvement in certain aspects of the 1983 Payment-in-Kind Program.

Senator Melcher referred to the transcript of a television broadcast by News Center 4, KRON-TV, San Francisco on Oct. 12, 1984, which inaccurately reported on the circumstances involving my role in certain PIK Program decisions. KRON's inaccurate references to me and the Association are false and are totally contradicted by the record. In the interest of a complete and accurate hearing record we submit for inclusion our letter of Oct. 31, 1984, and that of James M. Accomazzo of Dec. 5, 1984, to the President, Station Manager and News Director of KRON-TV which detail KRON's false reporting of the essential facts relating to me and the association.

Senator Melcher also inquired whether I or the Association had prior knowledge of or had played a role in the decision which extended by 10 days the March 11, 1983, final signup date for cooperative marketing assocations. Neither I nor members of the Association had such knowledge, and had we, we would have opposed such preferential treatment. Attached for inclusion in the record is a letter of protest from the Association President, Samuel T. Reeves to Secretary Block of March 14, 1983 and the undated response of Clarence L. Tardy, Deputy Administrator, State & County Operations, ASCS, USDA.

Should you or any member of the Committee wish to question me or any member of the Association regarding any of the circumstances referred to herein we will make ourselves available at your convenience.

Sincerely,

NEAL P. GILLEN,
Vice President and General Counsel.

AMERICAN COTTON SHIPPERS ASSOCIATION,
Washington, DC, October 31, 1984.

Mr. FRANCIS A. MARTIN, *President.*
Mr. JAMES H. SMITH, *General Manager.*
Mr. MIKE FEARING, *News Director.*
KRON-TV,
San Francisco, CA.

DEAR SIRS: In the past week reporters for the Freeno and Sacramento Bee, Agri-Data News Service and Farm Futures Magazine have requested my comments on your reported allegations involving ASCS Administrator Everett "Bud" Rank.

I have since been provided with and have thoroughly reviewed a transcript of "part three of the three part report as prepared for broadcast Oct. 12, 1984, on NewsCenter 4, KRON-T.V., San Francisco," and I have viewed a copy of the on-the-air tape of the series and the relevant part of the "Weekend Extra" segment broadcast on Oct. 14.

Your report is false on three essential and well established facts. One, that cotton producers were notified of program decisions or proposed decisions prior to or at the same time as other interested segments of the indudstry; two, at every stage of the program I was an advocate of the interest of the non-cooperative farmer such as Messrs. Accomazzo and Houk who were portrayed as victims in your broadcast; and three, it was the American Cotton Shippers Association who informed the Department of Agriculture of the anticipated PIK cotton and shortfall.

The report's references to me are false and deliberately or recklessly present a distorted and misleading record of efforts on my part and that of the American Cotton Shippers Association to reduce or eliminate the unfair and inequitable aspects of the PIK Program as they related to cotton producers, other segments of the industry, and the taxpayer.

The record is clear that USDA never provided this Association through me or any of our members directly with any information prior to providing such information to representatives of producer and cooperative organizations. Our relationship with USDA prior to and during the implementation of the PIK Program was adversarial in nature and this is well known to USDA officials, cotton producer organizations, farm news media, and informed Members of Congress.

The record is equally clear that in March 1983, this Association and individual member firms informed USDA and cotton producer organizations, through the National Cotton Council, that our surveys estimated that USDA would be short on the amount of cotton required to fulfill its PIK Program commitments by upwards of one million bales. Had we not provided this information, USDA would not have realized its shortfall until early June. As a result of our information, the entire industry, particularly producer organizations, mobilized in order to have USDA take steps to reduce the adverse financial impact on cotton producers. These steps involved discussion of the problem with farm news media, enactment of legislation to reopen the bid procedure, and participation in the filing of a legal action in the U.S. District Court in Harlingen, Texas which resulted in a temporary restraining order delaying the implementation of USDA's Harvest for PIK Requirement.

Regarding the so called "private meetings," referred to in your telecast, those meetings were not private and they originated at 10:15 AM on Monday, May 2, 1983, when Mr. Macon Edwards, Director of the Washington Office of the National Cotton Council of America, called me and reported on a proposed change in the announced PIK Program regulations which Everett Rank had discussed with him by telephone. The National Cotton Council is an umbrella organization of all segments of the cotton industry, and Mr. Edwards is viewed principally as a representative of cotton producers. Members of Congress, USDA Officials and industry representatives contact him when they wish to communicate with cotton producers. Mr. Edwards reported that Mr. Rank had stated his desire to discuss the proposal with me and other industry representatives that afternoon at a 4 PM meeting. Mr. Donald Wallace, who represents the Cotton Warehouse Association of America, also was in attendance along with various USDA officials. The proposed change in the regulations discussed at that meeting is part of the record and report of hearings conducted by the House of Subcommittee on Cotton, Rice and Sugar on June 28, 1984.[1]

At the May 2nd meeting Mr. Edwards was critical of the plan because, among other things, it would require producers without cotton under loan or with insufficient cotton in the loan to utilize 1983 new crop production to satisfy their PIK requirements in the event of a shortfall—the so called "harvest for PIK" requirement. Both Mr. Edwards and I pointed out that to meet the anticipated PIK shortfall in the wheat and corn programs a bid procedure was utilized whereby producers with wheat or grain under loan in excess of their PIK needs had an opportunity to sell this to CCC under a bid procedure. Mr. Rank informed us that they did not want to attempt this for cotton as the wheat bids were too high. We insisted, however, that cotton producers receive the same privileges afforded wheat and feed grain producers.

I also took issue with the proposal because it would have been beneficial to certain cooperatives, disadvantageous to some non-cooperative farmers, and since a large amount of PIK cotton had already been sold under written contracts, which were based upon the original regulations issued by USDA on Jan. 11, the proposed changes could jeopardize the validity of these sales contracts. At the conclusion of this meeting I requested that I be given an opportunity to review the situation with

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[1] Hearings which we were instrumental in having called wherein we were primary advocates of legislation to reinstitute the Bid Procedure in order to avoid the numerous problems inherent in a PIK cotton shortfall.

the officers of the ACSA and asked Mr. Rank if he would consider meeting with us. He said would, but it had to be within the next few days.

The following morning, May 3rd, I called Bud Rank at 9:10 and left a message. At 9:37 Rank returned my call and I requested that he not implement the proposed changes in the PIK Program regulations until he could meet with the officers of the Association who could be in Washington the following morning. Such a meeting took place and this too was fully reported in the above cited hearing record. Producer organizations were notified of our discussions as were Members of Congress through their staff.

The bid procedure we advocated was designed to avoid or minimize the exact problem that Mr. Accomazza encountered, and in fact it was only because of our advocacy of the bid procedure that cotton farmers saved an estimated $150 million. The harvest for PIK requirement amounted to 40% of 1983 production. Were it not for the bid procedure it would have been closer to 90% and Mr. Accomazza would have had his proceeds from the PIK Program reduced by considerably more than $45,000.

The Government designed the bid procedures and managed the program. Eligible farmers could sell to the government if they desired. Farmers without cotton in the loan were literally at the mercy of farmers with loan stocks. You infer or imply that I had inside market information which I and members of the Association used to our advantage and to the disadvantage of producers. To the contrary, the insiders in the bid program were farmers with unsold loan cotton and they, not the buyers, had the advantage which they made maximum use of to the detriment of producers who had signed up for the PIK Program and did not have cotton under loan.

Your report is inaccurate and is totally contradicted by the record, to which Mr. McTigue had access. My efforts were well known to members of the Washington news media familar with the situation and they will corroborate my representations as will representatives of producer organizations.

Mr. McTigue called me at 10:15 on Thursday, Sept. 27, 1984, from room 1289 of the Marriott Hotel in Washington, ostensibly to inquire about pending antitrust litigation which I explained I could not discuss. He then inquired about the PIK Program and I explained it was an unpleasant memory which I was not prepared to discuss on the telephone. I did, however, suggest that he visit my office and that he was welcome to examine my files at which time we could talk on an off-the-record basis. He explained he was pressed for time and that he was seeking certain correspondence from Mr. James Accomazzo, which I explained I had seen, but which I could not then locate in my files. I referred him to Sonja Hillgren, UPI Farm Editor who had the information, provided him with Mr. Accomazzo's telephone number, and directed him to others with possible knowledge of the situation.

At no time did Mr. McTigue question me regarding the substance of part 3 of his report, especially the circumstances regarding the meetings which are the subject of your telecast. Had he done so his report might have been accurate. He was equally negligent in failing to report from the record of the hearing where we supplied a full report on our meetings with Mr. Rank, and Secretaries Lyng and Amstutz.

I request an immediate on-the-air retraction of this libel and that you circulate the retraction to those on your news release distribution list.

Yours truly,

NEAL P. GILLEN,
Vice President and General Counsel.

TOLLESON, AZ, *December 5, 1984.*

Mr. FRANCIS A. MARTIN, *President.*
Mr. JAMES H. SMITH, *General Manager.*
Mr. MIKE FEARING, *News Director.*
KRON-TV,
San Francisco, CA.

DEAR SIRS: Your reporter, Mr. Brian McTigue, interviewed me at my farming operation in Tolleson, Arizona. My story to him was that I thought the USDA poorly handled the PIK Program and I personnally had some concern about a possible conflict of interest between Mr. Everett "Bud" Rank and Calcot. I spent several hours with Mr. McTigue because this issue is quite complicated and I wanted to make sure that he understood what the story was before he made any attempt to air the story.

I was very careful that he could not misquote me and could have a complete understanding of the actual events that took place. I have a copy of the transcript of the three-part series that was aired in October and picked up by some people from Farm Futures Magazine who have questioned me about my story and actually wrote an article for their December issue of their own.

What I want to point out to you is the careless and sloppy reporting that was done with regard to the American Cotton Shippers Association. The American Cotton Shippers Association represents the merchants who thru brokers in various parts of the cotton belt buy cotton that is not handled by the co-operatively owned marketing organizations. They work side by side with our producer organization, the National Cotton Council. Together they did everything possible to lighten the burden of the Harvest for PIK. It was the American Shippers who pointed out to the world that the USDA did not have the CCC inventory in tact to accomodate the PIK in the first place. It was the American Cotton Shippers who worked with the National Cotton Council to organize a bid process to hopefully take us out. It was the American Cotton Shippers who told our story, not hid the story from us, as your reporter would cause people to believe.

Mr. McTigue's story with its regards to the American Cotton Shipper is at best just plain sloppy reporting from someone who is ignorant of the issues in the first place.

I would like to call your attention to the article in the December issue of Farm Futures Magazine which is my opinion is the best attempt at explaining the allegations that I have made. The only possibiility of an error that I can see is where they quoted me as saying that Calcot, by itself, caused the harvest for PIK. I was very careful in all of my conversations not to make that statement and I will point that out to them. What I would like you to make note of is that in their entire story the blame was put where it should have been the name of the American Cotton Shippers was never mentioned.

The American Cotton Shippers will certainly have my support in any action they may choose to take against your company.

Sincerely yours,

JAMES M. ACCOMAZZO.

AMERICAN COTTON SHIPPERS ASSOCIATION,
Washington, DC, March 14, 1983.

JOHN R. BLOCK,
Secretary of Agriculture, Department of Agriculture, Washington, DC.

DEAR SECRETARY BLOCK: The American Cotton Shippers Association must oppose the ten day extension of the long known and accepted March 11 deadline for freezing loan stocks applicable against PIK entitlements. Regardless of reasoning connected with recent additional cotton sales, this decision strikes at the very heart of the sanctity of the PIK rules as announced and further causes apprehension about what are the rules and what will the next change be.

It is also American Cotton Shippers Association's understanding that a certain cooperative has already been assured favorable selection procedures in determining where their members will receive their PIK entitlements.

It is now rumored another larger cooperative, now foreseeing the possibility of receiving PIK entitlements outside their area due to the recent sales, are also requesting a selection type process.

If this rumor is adhered to or any grower and/or any cooperative is giving *any* preference in any way as to area selection, it will seriously undermine the validity and integrity of the PIK program and of the U.S.D.A. itself. It would be grossly unfair as the varying value of PIK's due to aging, improper loan differences, and grossly misclassed cotton has been repeatedly and clearly pointed out.

I would appreciate you comments on these suggestions.

Respectfully.

SAMUEL T. REEVES.

UNITED STATES DEPARTMENT OF AGRICULTURE,
AGRICULTURAL STABILIZATION AND CONSERVATION SERVICE,
P.O. Box 2415, Washington, DC 20013.

Mr. SAMUEL T. REEVES,
President, American Cotton Shippers Association,
Fresno, CA.

DEAR MR. REEVES: Secretary Block has asked us to thank you for and respond to your letter concerning cooperatives participating in the Payment-in-Kind (PIK) Program.

When the decision was made to allow cooperatives to redeem loans through March 21, the cooperative PIK agreements had not yet been signed. In addition, since the Commodity Credit Corporation (CCC) was not able to inform cooperatives of their PIK obligations until March 22, it would have been unfair to require cooperatives to isolate unlimited amounts of cotton or rice from the market during this period.

We have agreed to work with one of the smaller cotton cooperatives which has requested West Texas cotton from CCC inventory as its PIK. No firm commitment to this cooperative has been made; the request is being considered because West Texas cotton is likely to be in surplus and, therefore, the action would not result in inequities to other PIK participants. To date no similar requests have been received from other cooperatives.

Sincerely,

CLARENCE L. LARDY,
Deputy Administrator, State and County Operations.

IDAHO GROWER SHIPPERS ASSOCIATION,
March 19, 1985.

Hon. JESSE HELMS,
Chairman, Senate Agriculture, Nutrition and Forestry Committee, U.S. Senate, Washington, DC.

DEAR SENATOR HELMS: May this brief correspondence serve as our notification of complete and enthusiastic support of the nomination of Mr. John Norton to serve as Deputy Secretary of Agriculture.

Since this nomination is currently before yor committee, we would appreciate this correspondence being entered as part of the hearing record.

Thank you.

Sincerely,

DAVID A. SMITH,
Executive Vice President.

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